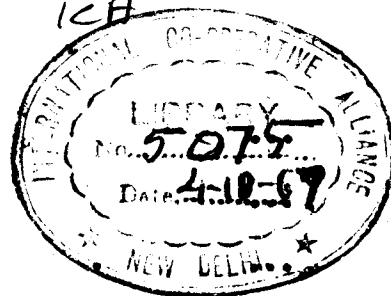


EXPERTS' CONFERENCE ON "CO-OPERATIVE MARKETING"
New Delhi, India : 15-21 Jan. 1967.

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INTERNATIONAL COOPERATIVE ALLIANCE.
Regional Office & Education Centre
6 Canning Road, New Delhi-1

NATIONAL COOPERATIVE UNION
OF INDIA
72 Jorbagh, New Delhi-111

South-East Asian
EXPERTS' CONFERENCE ON COOPERATIVE MARKETING
January 15-21, 1967. New Delhi, India.

P r o g r a m m e

SUNDAY, January 15

Inauguration and Introduction of Delegates (Vigyan Bhavan)

	Chairman	Mr Brahm Perkash M.P. General Secretary National Cooperative Union of India 72 Jorbagh, New Delhi
10.00 - 10.15 a.m.	Welcome by	Dr S.K. Saxena, Regional Officer International Cooperative Alliance Regional Office & Education Centre for South-East Asia, New Delhi
10.15 - 11.00 a.m.	Inaugural Address	Mr Cedric Day Deputy Regional Representative Food & Agricultural Organisation of the UN 1 Ring Road, New Delhi
11.00 - 11.15 a.m.	Remarks by the Chairman	Mr Brahm Perkash M.P. General Secretary National Cooperative Union of India New Delhi
11.15 - 11.30 a.m.	Vote of thanks by	Dr P.R. Baichwal Specialist in Agricultural Cooperation ICA Regional Office & Education Centre for South East Asia, New Delhi
11.30 a.m.	Refreshments.	

India
International
Centre

SECTION I : Management Questions Relating to National/
Regional Federations of Marketing Cooperatives

MONDAY, January 16

09.00 - Working Methods of the Conference.
09.15 a.m.

Programme page 2

- 09.15 - Review of Agricultural Cooperative Marketing Situation
10.15 a.m. in the Region of South-East Asia.
- Chairman Mr Alf Carlsson
Director, ICA Education Centre, New Delhi
- Discussion Dr P.R. Baichwal
Leader
- 10.15 -
10.45 a.m. Tea Break.
- 10.45 a.m. Discussion (Contd)
12 Noon
- 02.00 - Statement by Mr N.N. Kaul
02.15 p.m. International Labour Office
Mandi House, New Delhi
- 02.15 - Objective of National/Regional Federations of Marketing
03.15 p.m. Cooperatives.
- Chairman Dr Nam Kyu Chung, Vice President
National Agricultural Cooperative
Federation, Seoul. Republic of Korea
- Discussion Professor K.F. Svardström
Leader Lantbrukshögskolan
Institutionen for Lantbrukets
Marknadslära, Uppasala. Sweden
- 03.15 -
03.45 p.m. Tea Break.
- 03.45 -
05.00 p.m. Discussion.

TUESDAY, January 17

- 09.00 - Administrative Set-up for Policy Making and Controlling
10.00 a.m. Operations: Areas of Responsibility and Leadership - Role
of the General Manager - Presentation of a Case.
- Chairman Mr J.M. Rana
Co-Director, ICA Education Centre, New Delhi
- Discussion Mr Sohan Singh, Secretary
Leader Punjab State Cooperative Supply and
Marketing Federation, Chandigarh.
- 10.00 -
10.30 p.m. Tea Break
- 10.30 -
12 Noon Discussion.

Programme Page 3

- 02.00 - Priorities for Operations of Marketing Federations.
03.00 p.m. - Panel Discussion
- Chairman Mr S.S. Puri, Secretary
National Cooperative Development
Corporation, New Delhi
- 03.00 - Discussion
03.30 p.m.
- 03.30 - Tea Break
04.00 p.m.
- 04.00 - Discussion (Contd)
05.00 p.m.

WEDNESDAY, January 18

- 09.00 - Internal Organisation of a Cooperative Marketing Federation
10.00 a.m. - a Case Study of Japan.
- Chairman Dr P.R. Baichwal
- Discussion Mr Yunitaka Hasegawa
Leader Chief, Planning Section
National Marketing Federation, Tokyo
- 10.00 - Discussion
10.30 a.m.
- 10.30 - Tea break.
11.00 a.m.
- 11.00 a.m. Discussion (Contd)
12.00 Noon
- 02.00 - Procurement of Commodities from Affiliates for Domestic
03.00 p.m. as well as Foreign Trade.
- Chairman Mr R.M. Devaraj
Research & Education Officer
Singapore Cooperative Union, Singapore
- Discussion Mr N.S. Kulkarni, Managing Director
Leader Maharashtra State Cooperative Marketing
Federation Limited, Bombay
- 03.00 - Discussion.
03.30 p.m.
- 03.30 - Tea Break
04.00 p.m.
- 04.00 - Discussion (Contd.)
05.00 p.m.

Programme Page 4

THURSDAY, January 19

- 09.00 - Sales Promotion and Sales Organisation.
10.00 a.m. Chairman Mr Shiro Futagami
International Department
Central Union of Agricultural Cooperatives
Tokyo, Japan
- Discussion Leader Professor Krishna Mohan
Professor of Marketing
Indian Institute of Management
Calcutta
- 10.00 -
10.30 a.m. Discussion
- 10.30 -
11.00 a.m. Tea Break
- 11.00 -
12.00 Noon Discussion (Contd)
- 02.00 - Financial Planning and Follow-up Controls.
03.00 p.m. Chairman Mr J.M. Rana
- Discussion Leader Mr S.S. Puri
- 03.00 -
03.30 p.m. Discussion.
- 03.30 -
04.00 p.m. Tea break
- 04.00 -
05.00 p.m. Discussion (Contd)

SECTION II : Services for Affiliates

FRIDAY, January 20

- 09.00 - Technical Services for Affiliates.
09.30 a.m. Chairman Mr Branko Zalataric, Agricultural Secretary
International Cooperative Alliance
11 Upper Grosvenor Street, London W.1.
- Discussion Leader Mr P.E. Weeraman, Commissioner for
Cooperative Development, and Registrar of
Cooperative Societies, Government of
Ceylon, Colombo
- 09.30 -
10.00 a.m. Discussion

Programme Page 5

10.00 -
10.30 p.m. Tea Break

10.30 -
11.30 a.m. Product Improvement Programmes (Processing, Grading
Standardisation and Quality Control)

 Chairman Mr Roger Savary
 Secretary-General
 International Federation of Agricultural
 Producers, Paris

(10.30 - 11.00) Discussion Mr Y. Hasegawa, Japan
 Leader

(11.00 - 11.30) Dr Nam Kyu Chung, Republic of Korea

11.30 -
12.30 p.m. Discussion

02.00 -
03.00 p.m. Management Development Programme

 Chairman Dr S.K. Saxena, ICA Regional Officer

(2.00 - 2.30) Discussion Dr H.A. Desai, Personnel Director
 Leader PFIZER Limited, Bombay

(2.30 - 3.00) Mr Alf Carlsson, Director
 ICA Education Centre, New Delhi

03.00 -
03.30 p.m. Discussion.

03.30 -
04.00 p.m. Tea Break

04.00 -
05.00 p.m. Discussion (Contd)

SATURDAY, January 21

09.00 a.m.
12.00 hrs Techniques in Achieving Integration between National/
Regional Bodies and Primary Societies - Panel Discussion.

 Chairman Prof K.F. Svardström, Sweden

 Panel members 1. Mr Kahn Chuvamond, Thailand
 2. Mr C.S. Hubli, India
 3. Mr Y. Hasegawa, Japan

02.00 -
03.30 p.m. Final Plenary and conclusion

03.30 - 04.00 Tea Break

04.00 - 05.00 Evaluation of the Conference.

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

AK/24th November 1966

EXPERTS' CONFERENCE ON COOPERATIVE MARKETING
 New Delhi, India : January 15-21, 1967

ANNOTATED AGENDA

1. Review of Agricultural Cooperative Marketing
 Situation in the Region of South-East Asia.

Cooperative legislation and introduction of marketing cooperatives: Structure of cooperative marketing movement: Local, regional and national: Nature of functions of societies at different levels: Type of commodities handled: International cooperative trade: Role of government in the development of marketing cooperatives: Main problems of marketing cooperatives.

2. Priorities for Operations of Marketing Federations:
 Presentation of a Case.

Various tasks of marketing federations: e.g. marketing, supply and other activities: Undertaking jobs on behalf of government: Formulation of policies, short and long-term, in respect of different tasks: Considerations in deciding on priorities: These aspects will be dealt with by the discussion leader with reference to one particular organisation.

3. Objectives of National/Regional Federations of
 Marketing Cooperatives

Short and long-term goals to be achieved by the National/Regional Marketing Federations: Goals to be achieved in activities such as supply, marketing and other services: These aspects will be discussed in the context of the structure of markets and the role of private marketing functionaries.

4. Administrative set-up for Policy Making and Controlling
 Operations: Areas of Responsibility and Leadership Role
 of the General Manager - Presentation of a Case.

Nature of administrative set-up: General body, board of directors, manager and staff: Respective roles of the board and the managers: How to develop good relationship and possibilities of demarcation of functions: Reasons for breakdown of good relationship, leadership of the General Manager.

5. Internal Organisation of a Cooperative Marketing Federation - A Case Study of Japan

Organisational set-up of a cooperative marketing federation: Specialisation by different sections to deal with various activities undertaken by the federations and their coordination: Delegation of responsibility to different section heads in the implementation of policy: Management problems encountered in coordination: Suggested solutions: This subject will be discussed with reference to one particular organisation.

6. Procurement of Commodities from Affiliates for Domestic as well as Foreign Trade

Machinery for the procurement of commodities from affiliates for domestic as well as foreign trade: Methods adopted in procuring commodities: Problems in securing the needed loyalty and support from the affiliates: Possibilities of effecting alterations in the methods adopted in procuring commodities: Financial and other difficulties in adopting new ways and methods: Impact of marketing problems on the procurement of commodities: Major problems and solutions:

7. Sales Promotion and Sales Organisation

Nature of planning required in finding market outlets: Effective sales promotion techniques: Role of market research and consumer research studies: Assessing of market potentials: Importance of advertising and market information: Sales development, where, whom and how to sell: Structure of sales organisation; upto what point own activities should extend: Distributors, wholesalers, retailers and/or consumers.

8. Financial Planning and Follow-up Controls.

Techniques of financial planning: Interpretation of short and long-term forecast and plans in terms of funds: Assessment of financial requirements for different purposes: Financing from internal and external resources: Relative merits: Ways in which resources within the movement can be put to maximum use through concerted actions: Sources of borrowing: Terms and conditions: Their suitability: Evaluating economic results: Type of periodical 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.

9. Technical Services for Affiliates

Provision of technical services by the federations to affiliates in different technical aspects: Layout of the societies: Choice of site and design of buildings: Ways of storing goods: Installation and use of machinery: Transportation of goods: Developing proper financial and management policies: Taking over management of weak societies for temporary periods to put them on their feet: Technical help in trading methods:

10. Product Improvement Programmes (Processing, grading, standardisation and quality control.)

Role of the apex organisations in assisting the affiliates in securing improvement in production and in other activities such as processing, grading and standardisation: Supply of agricultural inputs: Nature of extension activities undertaken by the marketing federations: Need for undertaking research studies: Disseminating market information to the affiliates: Evaluation of results.

11. Management Development Programmes

Types of technical personnel needed: Labour force required: Personnel and training policy to be followed: Role of the federations and other bodies: Collaboration with training institutions.

12. Techniques in Achieving Integration Between National/Regional Bodies and Primary Societies.

Concept of integration: Problems in securing proper relations with the affiliates and in achieving integration: Techniques in securing integration: Suggested solutions.

Inaugural Address for the
Expert Conference on Agricultural Co-operative Marketing

Cedric Day
FAO Deputy Regional Representative
for Asia and the Far East (Western Zone)

It is with great pleasure that I come here today and bring you greetings and best wishes for the success of your Conference on Agricultural Co-operative Marketing from the Director General of FAO, Dr. B.R. Sen. As you know, FAO has been deeply interested in this aspect of co-operation and has long worked in collaboration with the International Co-operative Alliance in this field.

Co-operation, of course, can cover almost any aspect of life and has been practised by men from the earliest times in village and community life, and often for religious reasons. In the modern understanding of co-operation it is generally held that the movement started in Britain and France, especially under the leadership of such men as Robert Owen and Charles Fournier. Of course, there were co-ops functioning before these two were born, such as the co-operatives formed to break the monopoly in corn mills in Britain in the eighteenth century and the co-operatives in agricultural and fisheries. At this time, too, the first co-operative stores to pay dividends were established. Indeed, by 1830 there were more than 300 co-operative societies functioning in Britain.

However, I am not concerned in talking to an informed and expert audience such as you compose on the well known history of the co-operative movement. What I would like to do is to comment on the principles of

co-operation as evolved by the Rochdale Pioneers Equitable Society because I think they are most important today in the context of the development of co-operatives in the developing countries and in such a country as India.

The Rochdale Pioneers insisted that membership of their consumers co-operative should be open to anyone who wished to join. They established democratic control through the rule of one member, one vote, whatever the number of shares held by a member. They established a fixed interest on shares at the current market rate. They agreed to pay a dividend on purchases after meeting the co-operative's needs for reserves and other such allocations. They resolved to sell no adulterated goods. They insisted on cash payment for purchases and no credit. They agreed to use a small percentage of the trading surplus for educational work. They insisted that there should be no discrimination on religious and no discrimination on political grounds.

When you reflect on these principles and apply them to present day circumstances in the countries of South-east Asia and in other developing countries you realise how basicly sound they are. After all, they were evolved at a time when there were more failures than successes in co-operation, mostly because the principles upon which the majority of co-operatives were launched did not favour their survival in a harsh and demanding world in which industrialization was changing the age-old pattern of man's life and circumstances. One might say that similar circumstances exist today in the developing countries which are striving

to equip themselves fully with the modern sophisticated industrial complexes of the technically advanced countries and, at the same time, modernise their agriculture. As a part of this effort they have attempted to harness the co-operative potential to their needs but with varying success.

I should say, of course, that co-operation in the modern sense is not new to a country like India where it was first introduced during the latter part of the 19th century. But it was not until after independence that it was brought in on a large scale as a part of the national effort to speed economic development. As to be expected in the circumstances, such a vastly expanded effort has had varying results. I was told recently by a high Government of India official that of some 200,000 or more co-operatives more than half were ineffective and that about 50,000 could be classed as marginal cases. This left about 40,000 as reasonably effective organizations. No doubt other developing countries are experiencing a similar degree of success and failure.

There are many reasons given for this state of affairs - principally lack of trained leadership, lack of managerial experience and the introduction of political or religious or other influences in the organization and the running of the co-ops. To these factors we must add the over-riding background factors of mass illiteracy and poverty, especially in the case of the rural people.

It is in connection with this high wastage rate in co-operatives here that I should like to stress again the Rochdale Pioneers' principles.

Take, for example, the principle that the co-op should be open to membership by all. To this perhaps one should link the other two rules on membership - that there should be no discrimination on political and religious grounds. These, I suggest, are excellent principles to enforce and if they are observed they can ensure fully representative membership of a co-op regardless, for instance, of whether a person is rich or poor, literate or illiterate, of scheduled or non-scheduled caste, Hindu, Moslem, Buddhist, Christian or anything else. If such an approach can be accepted and honestly and fairly maintained in the complex and difficult circumstances ruling in many developing countries, the conditions favouring co-operation will surely be improved.

The same holds true for the "one member, one vote" rule. If this is strictly observed it can do much to ensure the democratic control and functioning of a co-operative as it restricts the power of the wealthy who otherwise could dominate the voting and run the co-operative to suit themselves. This is a particularly important point, I think, in communities where social conditions and a traditional pattern of life are still dominant, as is often the case in the remoter rural areas of the developing countries, such as in this country. The wealthier and socially elect members of such communities will, in any case, play a powerful role simply because they are in such an entrenched position and the "one member, one vote" rule is probably the only way in which their influence can be kept in check in the interests of all co-operators.

The decisions to pay a fixed interest on shares and to pay a dividend on purchases after meeting the needs for reserves are sound from a business point of view. Indeed, I should comment here that unless a co-operative faces up to the test of profitability it is not likely to hold its members or to live for long. The only way a co-op can ensure a growth in membership is by giving satisfactory returns to its members whether in interest on shares or in dividends or in services and so on. In the early days of the modern co-operative movement many co-ops were formed by religious groups or by idealists who sought to establish them as non-profit making organizations. Most of these soon failed and, I think, rightly so because they were unrealistic. It is often difficult enough to make a profit when one organizes thoroughly from the start to do so. It is much more difficult - if not virtually impossible - to organize to make neither profit nor loss but to break even. The usual fate of such enterprises is bankruptcy. Making a "profit" for the benefit of its members is surely a legitimate and laudable objective of any co-operative. The form of that "profit", of course, may vary with the nature of the co-operative but it must be there in order to attract and hold membership.

In a poor society the insistence on cash and not credit for purchases is a wise precaution. As everyone knows who has had to deal with the very poor and illiterate, the management of credit is not only difficult and often frustrating but can lead to substantial losses. That, in turn, can bankrupt the co-operative. So, even though cash terms may be restrictive in the beginning and reduce the growth to a slower rate than it could be, it will also be sounder and of greater benefit to the co-operatives in the long run.

Before passing on from this subject, perhaps I should also say that the building up of reserves is obviously an essential undertaking for the sound and business-like development of a co-operative and nowhere more so than among an impoverished community.

I think it goes without saying that a co-operative should avoid dealing in any kind of adulterated goods. This needs rigorous control, especially in communities where adulteration has been customary and has not been regarded as particularly harmful or anti-social. Such habits die hard. For instance, I heard of a case recently where clean, hygienically processed milk from a co-operative dairy had been adulterated by the milk truck driver. The first the dairy manager knew about it was when the local hospital telephoned to ask why there were tadpoles in the milk! From then on he decided all milk cans and drums had to be sealed. At least that gives some protection but, of course, only continued vigilance can ensure full protection.

Finally we come to the rule about using a small percentage of the trading surplus - the "profit" - for education. I can think of no better long term use of an agreed proportion of profits for this purpose in the developing countries. From the start the co-operative movement has played a strong and admirable role in education. This was to be expected as the mass of the co-operators were illiterate and literacy was recognised as an essential step along the path of progress. A well run and profitable co-operative can make a significant contribution through educational work among its members as was so ably demonstrated by the

co-operatives starting in the last century in Europe, Britain, Australia, New Zealand and many other places. The opportunity for such educational work today in such countries as India and Pakistan and others in Asia and Africa and Latin America by the co-ops is limited only by the funds and trained personnel available.

In this connection I have been interested in the initiative of the Taiwan Provincial Chung Hsing University which started a Department of Co-operation in 1953. The object is to create cadres of administrators and organizers to promote and establish co-operatives. At the present time I understand some 400 students - men and women - are taking this bachelor degree course while more than 300 who have already completed it are at work in the various sectors of co-operative enterprise in Taiwan. Such trained workers in the co-operative movement are invaluable, of course, and, in addition to their work as organizers and administrators, are particularly well equipped to promote the educational activities of the movement which is essential to the healthy development of co-operation among the poor and illiterate - in short, the people who most desperately need all the help that can be given them.

I have dealt at some length with the "principles" evolved by the Rochdale Pioneers because I believe they apply with pristine force in the developing countries today. And, indeed, I have seen how effective they are in co-operative effort when applied along these lines. For example, any of you who have visited the remarkable co-operative Amul dairy in Anand, Gujarat, have seen the wonders that can be achieved under

the right leadership and with highly developed managerial skill. That vast plant, with its capacity to process 1,000,000 lbs. of milk a day, is dependent on its village milk co-operatives for its daily supplies. These hundreds of milk co-operatives have flourished because their members receive benefits **in cash** and in contributions to their communities and in services and because the principles I have mentioned have been enforced. It took a long time to build up the loyalty of the members. At the start the farmers would sell their milk in the lean season to contractors who could pay a higher price than the struggling co-operatives. It took educational effort - and a fixed price - to persuade the farmers that it was in their own long term interest to sell to their co-operative throughout the year. Today, such are the "profits" that accrue to the members, their loyalty is fixed.

Perhaps I should now comment briefly on the subject matter of the Conference you are about to hold. I suppose there is no more important sector in the co-operative effort than that of marketing. After all, unless the produce is effectively marketed all the effort put into production and other fields of work will be largely wasted.

In a study on co-operative marketing for agricultural producers published in 1955 by FAO it was stated that "the marketing problem is in large part a matter of adjusting production to demand. The other part of what a producer can do to improve his marketing situation consists in minimising the costs incurred at every stage until ultimate consumption. Thus, although, the first consideration will always be the production of

a good quality article of a kind which is in demand, the second is to ensure that the producer gets a maximum share of the ultimate price paid".

I don't think any one would disagree with this but I should like to add another function of marketing - the expansion of the market. This is, I think, especially important in the developing countries and where the potential demand can be promoted to an active demand a significant contribution is made to the economy of the country as a whole as well as to members of the co-operative in particular.

I am told that in India the food manufacturers produce for only a small percentage of the market. Presumably they feel that, commercially, the other hundreds of millions do not enter into the picture. Yet I question this. It is true that the purchasing power of the mass of people remains very low but they are consumers within the limits of their income, particularly of foodstuffs. Further, the situation is changing and this change is leading to an expansion of the market. We hear so much about the difficulties faced by India - especially about the food shortages and famine conditions - that we tend to overlook the progress made under the first three Five Year Plans. Perhaps I may be permitted to draw your attention to these plus factors.

For example, per capita income has risen from Rs. 275 to Rs. 325 and 28 million new jobs have been created. More than 52,000 villages have been electrified, 17,000 villages have been provided with piped water and 700,000 wells have been sunk. The number of children at school has

risen from 23.5 to 68 million and college students from 300,000 to 1,100,000. The number of hospitals and dispensaries has gone up from 8,600 to 14,600 and family planning centres from nil to 11,474. Ownership of 730,000 acres of land has been conferred on 330,000 farmers. Per capita consumption of food-stuffs has increased in calorie value from 1,759 to 2,145 a day. The supply of food has gone up from 12.8 ozs. to 15.4 ozs. a day and the availability of cloth from 11 to 15 metres per year. Foodgrain production has risen from 55 million tons to a peak of 89 million tons (1964-65). The index of agricultural production has risen from 96 in 1950-51 to 158 in 1964-65. Over 13 million acres are now covered by major or medium irrigation schemes and over 31 million acres by minor schemes. Nearly 500,000 pumps have been energised. Production of fertiliser has risen from 56,000 to a potential of 600,000 tons while plant protection measures have increased to cover over 40 million acres.

One of the reasons why the food situation has become so critical is the increased consumption per capita. That and the staggering increase in population has led to food demands a good deal in excess of anticipations, as can be appreciated by the fact that estimates of the increase in population have proved to be 10 years wrong. It was thought when the first Plan was devised that population growth would bring India to the 500 million mark by 1976. Instead, that figure was reached in 1966.

The figures for development I have just given indicate, I think, an expansion of the market for consumer goods, especially food. The first action of a hungry or ill-nourished man when he gets extra money

is to spend it on food - the food he is familiar with which, of course, is not necessarily the best for him. Thus, here in India the extra money has been spent first on more grains whereas it would have been better spent on protein-rich foods such as vegetables, milk and dairy products, fish, eggs and poultry meat and so on.

What needs to be done to expand sales to this growing market? Perhaps one essential step, I suggest, for sound exploitation of the market is a series of market surveys to determine the extent and rate of expansion so that marketing plans can be drawn up with some confidence in the envisaged growth.

I cannot leave this subject without referring again to the inspiring example of the Kaira Co-operative - the Amul dairy. They have proved that a far bigger consumer market for dairy products exist than is generally believed to be the case by the food industry. Amul products are now sold to upwards of 75 million people in India. This is largely because they have developed an excellent marketing organization and I do not doubt that their quality products will be bought by more and more people as purchasing power increases among the masses. What the Amul co-operative has done, other co-operatives can also do if they follow the same sound principles.

No doubt this problem of market development will be very much in your minds during the various discussions you will have in the course of this Conference. In any case, we are all aware that the problem of determining the rate of expansion of the mass market in the developing countries and how best for the marketing co-operatives keep pace with that

expansion is one which concerns us all. It is linked, of course, to organizational and administrative problems because without an efficient organization effective marketing plans and schemes can hardly be carried out. I am glad, therefore, to see that these various aspects will come under review during your Conference and I feel sure, in view of the wealth of experience of those who are participating, much sound and practical advice and guidance will emerge from your discussions.

As I have already stated, FAO is concerned with all aspects of the co-operative movement in agriculture and is particularly interested in the marketing sector. We shall therefore closely follow your deliberations and hope that the Conference be especially concerned with the future development of co-operative marketing in this part of the world.

I now have great pleasure in inaugurating this Conference and extend to you on behalf of FAO and of our Director General our best wishes for a constructive and fruitful meeting.

THE EXPERTS' CONFERENCE ON "CO-OPERATIVE MARKETING"

15 - 21 January 1967, New Delhi, India

DRAFT REPORT

organised by

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

National Cooperative Union
of India
72 Jorbagh
New Delhi, India.

AK/January 21, 1967

EXPERTS' CONFERENCE ON "CO-OPERATIVE MARKETING"
15-21 January 1967, New Delhi, India

DRAFT
R E P O R T

By

P.R. Baichwal

I. INTRODUCTION

The Experts' Conference on "Co-operative Marketing" convened by the Regional Office and Education Centre of the International Cooperative Alliance, in collaboration with the National Cooperative Union of India, was held in New Delhi, India from 15th to 21st January 1967. The Conference was attended by 18 ^{participants} ~~delegates~~ from Ceylon, India, Japan, Republic of Korea, Singapore, Thailand and U.A.R. Observers from the International Labour Office, Food & Agriculture Organization, Afro-Asian Rural Re-construction Organization and International Federation of Agricultural Producers also participated in the Conference. The Conference had also the benefit of expertise from Sweden and ICA Headquarters in London.

In the countries of South-East Asia, agricultural cooperatives have now existed for varying lengths of time. ^{The} Cooperative Movement is diversified in different fields of the agrarian economy and the movement now covers aspects such as provision of credit, supply of occupational requirements to farmers, marketing of agricultural produce, processing, irrigation, etc. However, in the field of marketing of agricultural produce, the movement in many countries is comparatively of recent growth and the progress of these societies

in different fields in all the countries is uneven. With the exception of Japan and in certain sectors of a few countries, the progress of cooperative marketing societies is not significant. These cooperatives are faced with a number of problems. Many of these are largely common to all countries in the Region and obviously they call for similar policy measures. Among the manifold problems, the problem of management is of paramount importance. The Conference was organised with a view to bringing together persons having specialised knowledge and experience in the field of agricultural cooperative marketing, and to provide them with a common platform for discussion on problems relating to cooperative marketing with special reference to management aspects, and to explore possible solutions.

Mr Cedric Day, Deputy Regional Representative of the Food and Agriculture Organization of the United Nations, New Delhi, inaugurated the conference on 15th January 1967.

Plan of the Report

The report is divided into three sections including the Introduction. A brief description of the status of cooperative marketing societies in the participating countries of the region, is presented to Section II. Section III, which is the main part of the report, presents a gist of the discussions and suggestions made at the conference.

II. STATUS OF AGRICULTURAL COOPERATIVE MARKETING

Cooperative Legislation

In many countries in the region, cooperative movement was initiated mainly for the purpose to providing credit to the farmers. In the beginning of the present century, agricultural indebtedness had become a major problem and it was thought that

the organization of cooperatives among the agriculturists to provide credit to farmers would help to solve the problems of indebtedness. Accordingly, when cooperative legislations were introduced in these countries, the legislations provided for the organisation of mainly thrift and credit organisations. It was soon realised that the mere supply of credit to farmers would not provide a lasting benefit to the cultivators unless simultaneous efforts are made to organise cooperatives for assisting the cultivators in the marketing their produce.

In India, for example, the Cooperative Credit Societies Act of 1904 provided for the formation of mainly thrift and credit cooperatives. This Act was later amended in 1912 to provide for the organisation of societies for purposes other than credit, and also for the formation of central organisations to provide capital to primary societies. In Ceylon, the Cooperative Societies Ordinance of 1911 was amended in 1921 to enable the organisation of non-credit societies. In Thailand the Cooperative Societies Act BE 2471 of 1928 facilitated the formation of non-credit cooperatives. The Association Amendment Act of 1916 had provision for the formation of only credit societies.

In the Republic of Korea, the law to regulate the cooperative movement was passed only a decade ago. The Agricultural Cooperative Act was enacted together with the Agricultural Bank Act 1957. According to this Act, cooperative credit societies were prohibited from undertaking non-credit functions and the two sectors of the movement did not have coordination between themselves and there was considerable duplication in functions and competition in their business operations. With a view to eliminate the inherent defects of the organisational structure between the agricultural cooperatives and the Korea Agricultural Bank, the government promulgated a new Agricultural Cooperative Act in 1961.

By this act, the cooperatives and the Korea Agricultural Bank were amalgamated into one systematic organization designed to enable credit and other business activities.

In many of these countries, though the required legal framework was introduced to facilitate the organisation of marketing cooperatives, the marketing movement did not receive much attention until the thirties of this century. For a number of reasons during the economic depression of 1929 it was realised that the supply of merely credit to farmers will not provide any lasting benefit to the farmers unless simultaneous efforts are made to assist the cultivator in the profitable marketing of agricultural produce through marketing cooperative. The attempts made in the organisation of cooperative marketing of agricultural produce can be broadly classified in two categories:

- i) Organising specialised cooperatives to undertake marketing of all or certain specified commodities, and linking their activities with credit cooperatives.
- ii) Organisation of multipurpose cooperatives to undertake both credit and marketing functions.

With a view to encouraging and assisting these cooperatives, governments in many countries provided technical and financial assistance in a number of ways.

The Structure of Marketing Cooperatives

The structure of cooperative marketing movement in all the countries of this region is three-tiered; Primary cooperative marketing societies covering a group of villages are at the base. These societies are generally located in a marketing centre. These are organised into federations at the district/prefectural or regional levels which in turn are federated into Apex organisations at the State or National levels.

In Ceylon, cooperatives at the primary level include both multipurpose and general purpose cooperatives known as Agricultural Produce and Sales Societies. There are also societies engaged in the marketing of certain specified commodities. In recent years, attempts are being made to convert the general purpose marketing cooperatives into multipurpose cooperatives so that they could also undertake supply of consumer goods to farmers besides credit and marketing. Federations of marketing cooperatives at different levels are also organised. The structure of the movement in India Thailand and Singapore is similar to that of Ceylon. However, in India in recent years, the multipurpose cooperatives are being desuaded from undertaking marketing functions. These societies are linked with the marketing cooperatives and the task of assembling of agricultural produce of the farmers and transporting the same to the marketing cooperatives for ultimate sale is assigned to credit and multipurpose cooperatives.

In Japan and Republic of Korea, the societies at the primary level are multipurpose cooperatives engaged in both credit and non-credit activities. In these countries, there are also specialised cooperatives for undertaking marketing of different commodities. These societies are organised into federations at Prefectural and National levels.

In all these countries, the marketing cooperatives, apart from undertaking marketing of agricultural produce, are also engaged in other activities such as supply of agricultural requirements like seed, fertilizers, machinery and other agricultural equipment. In certain countries, a few societies also provide production credit to farmers though this does not strictly fall within their field of their operations.

Present Position of Marketing Cooperatives

In Ceylon during 1965, there were 4,708 societies undertaking

marketing of agricultural produce. They claimed a membership of 646,244. The societies covered produce such as rice which is the main crop, tea, rubber, tobacco, coconut, vegetable etc. It is estimated that about 90 per cent of the cultivators are served by these cooperatives.

In India, during 1964 there were 3,347 marketing cooperatives. Of these, 3,166 were primary cooperatives, 159 central societies, 21 state marketing cooperatives and one national federation. The societies covered cotton, tobacco, rice, wheat, coconut, fruits and vegetables and a few other commodities. The membership consisted of 1,30,567 societies, 17.2 million individuals, and 68,278 nominal members.

In Japan, during 1965 there were 9,135 cooperatives engaged in the marketing of agricultural produce. These claimed a membership of roughly 5.8 million farmers. Besides these, there were 1,089 federations, including those without capital stock 747 municipal federations and 26 national federations. These federations covered livestock, sericulture, horticulture, insurance etc. However, of the national federations, only 16 were engaged in marketing business and most of them were specialised federations dealing with certain specific commodities. The national marketing federation of agricultural cooperatives, ZENHANREN, handles a variety of agricultural and livestock products.

In the Republic of Korea, during 1966, there were 17,675 Ri or Dong (Primary) cooperatives. These cooperatives were federated into 139 city or Gun cooperatives which had 399 branches. There were also special agricultural cooperatives numbering 135. These cooperatives are united into a national federation known as National Agricultural Cooperative Federation. The total membership of these cooperatives was 22.9 million. The membership of the primary and special cooperatives is not however mutually exclusive.

In Singapore, during 1964 there were 7 marketing societies having a membership of 2,970. The societies covered poultry, fish and a few agricultural commodities.

INTERNATIONAL COOPERATIVE TRADE

Some of the cooperatives in the region are also engaged in international cooperative trade. In India, the National Agricultural Cooperative Marketing Federation and a few other marketing federations in some States are exporting products of their members to Middle-East countries. The commodities exported cover cotton bananas, mangoes and pulses. Some of the cooperatives also import a few items like cauliflower and potatoe seeds, dry fruits and asafoetida.

The National Agricultural Cooperative Federation in the Republic of Korea has set up a foreign trade section to handle imports and exports. The imports cover, milch-cattle, agricultural chemicals, agricultural machinery, seeds, maize for fodder and also rice mainly from Japan and the United States.

In Japan, three federations of agricultural cooperatives at the national level are engaged in international trade. The commodities cover agricultural products and horticultural goods as fresh tangerines, preserved foods, seed potatoes, apples and eggs to the U.S.A, Canada, U.K., West Germany, Sweden, Singapore and other world markets. Some of the federations also import foodstuffs, raw materials and fertilizers. In recent years, considerable quantity of maize is imported from the Bangkok Farm Products Marketing Society, Thailand.

GOVERNMENT ASSISTANCE

After the achievement of political independence, many countries in this Region have launched upon development plans. In these

plans, considerable emphasis is given on the organization of marketing cooperatives, and a deliberate policy has been adopted for the organisation of such cooperatives. These cooperatives are also given increasing technical and financial assistance by the government so that they could undertake marketing and other necessary allied activities in an efficient way. The nature of such assistance given to marketing cooperatives is indicated below:

- i) Loans **and** subsidies are given to cooperatives for the purpose of construction of buildings and storehouses, purchase of sale depots, provision of machinery and other equipment.
- ii) Loans and subsidies are also given for the appointment of technically trained and qualified managerial personnel. In certain cases, Government also deputes their persons to work as managers or secretaries of the societies. The cost of these personnel is borne either by the government, the society or shared by both.
- iii) In some countries, specialised institutions have been created for providing financial assistance to all types of cooperatives including marketing societies. For some of these institutions the resources are entirely provided by government through financial appropriations from government budget. Again, in India, the Central bank of the country, the Reserve Bank of India, provides finances to marketing cooperatives for various purposes at concessional rates of interest. For certain purposes the rate of interest charged is below the Bank Rate.
- iv) With a view to assisting the cooperatives in increasing the borrowing power of the societies and also to generating confidence among the commercial institutions in financing the cooperatives, in some countries, the governments have contributed to the share capital of the societies and have thus become active partners in the development of cooperatives.

This contribution is given to the cooperatives at all levels.

- v) Financial assistance for the purpose of carrying on cooperative education and propaganda work is given to Cooperative Federations and Cooperative Unions. Governments have also provided assistance in organising special training courses for the personnel working in the marketing cooperatives.
- vi) In order to provide a proper atmosphere and to create suitable conditions for the effective working of marketing cooperatives, operations of money-lenders and traders are being regulated through legislation.

OTHER FORMS OF STATE ASSISTANCE TO MARKETING COOPERATIVES

Marketing cooperatives are also given support and encouragement in other ways. Some of the ways in which this support is given to the marketing cooperatives are indicated below:

- i) Marketing cooperatives as also other credit and multipurpose cooperatives are given moral support by the government in recognising them as suitable agencies for undertaking various activities. In India, for example, during the Second World War procurement and distribution of rationed, controlled and other necessary commodities was entrusted largely to cooperatives. Cooperatives are also given the work of distribution of fertilizers, cement, iron and steel required by the farmers. The cooperatives are also utilised in the food procurement operations. In Ceylon, the entire food rationing scheme in the City of Colombo is implemented through cooperatives.

- ii) In Ceylon, cooperatives are utilised for implementing the Guaranteed Price Scheme for agricultural commodities. In the Republic of Korea and Japan, the Rice Lein Programme is mainly operated through cooperatives.

Appointment of Committees of Enquiry

Another way by which governments have assisted the marketing cooperatives as also the cooperative movement in general is through appointment of Committees of Enquiry from time to time with a view to suggesting measures for strengthening the Cooperative marketing structure. In recent years, governments have also been providing financial assistance to professional organisations and Universities for undertaking research in pertinent fields of cooperation. In some countries and particularly in India, a few of the States have cells for undertaking research in different fields of the economy including cooperation.

PROGRESS OF COOPERATIVE MARKETING

In recent years, because of the financial and technical assistance and preferential treatment provided by the government, marketing cooperatives in different fields have increased and their coverage, both from the point of view of membership as well as the range of services provided have grown. In spite of this development, the part played at present by the marketing cooperatives in assisting the farmers in the marketing of their produce has been rather modest. An exception, however, may be made in respect of Japan and in specified sectors of a few other countries. In general it may be observed that marketing cooperatives have made some impact in the field of commercial crops like cotton, sugarcane, tobacco and also in certain areas or regions where the food crops are grown on a commercial scale. In regions where the subsistence farmers predominate and they cultivate diversified crops, the

progress of marketing cooperatives has been rather unsatisfactory.

PROBLEMS OF COOPERATIVE MARKETING SOCIETIES

Various factors have contributed to the poor progress of cooperative marketing movement in these countries. Among others, lack of adequate financial resources with the movement and inadequate understanding of the problems of agriculturists and their financial and other needs, lack of interest and active participation by the members in the activities of the societies and absence of loyalty among the members, lack of availability of able management personnel and the entry of moneylenders and traders in the society, wide-spread illiteracy and general lack of understanding and appreciation by the rural masses of the ability of cooperative technique as a means of increasing their economic and social welfare have combined in varying proportions to work against the progress of the marketing societies. Absence of other external factors which can create a congenial atmosphere for the smooth working of the societies may also be emphasised in this connection. In Japan, the problems of marketing cooperatives are of different nature. The consumption pattern of the people in Japan is undergoing a great change and the people now consume more of vegetables, fruits, and other livestock products. This necessitates readjustment on the part of marketing cooperatives so that they could handle efficiently vegetables, fruits and livestock products.

The Conference discussed some of the problems referred to above though greater attention was given to management problems.

In the marketing structure the federations at the regional and national levels have greater role to play in the development of primary marketing cooperative as also in the overall development of cooperative marketing system. The Conference therefore largely discussed management problems with reference to the federations. Some of the problems

discussed covered objectives of national/regional federations, administrative set up for policy making and the role of the General Manager, financial planning and follow-up controls, promotion and organisation of sales, procurement of commodities from affiliates for domestic and foreign trade, technical services for affiliates, product improvement programmes, and Management Development Programmes. The Conference also discussed the problems and measures to be undertaken in achieving integration between national/regional bodies and primary societies.

III. OBJECTIVES OF NATIONAL/REGIONAL FEDERATIONS OF MARKETING COOPERATIVES

In many cooperatively developed and also in a few developing countries, federations at the national and regional levels have ^{culminated in} ~~been organised as a climax to~~ an integrated system of agricultural marketing. These federations have been organised both horizontally and vertically. The objectives of such federations has been to secure certain economic ends and/or to undertake educational and propaganda work. Through organising **federations and pooling** of resources the small cooperative societies have been able to undertake many functions which would not have been possible for a solitary marketing society. In many cases these federations have developed **new activities** and have also penetrated into unexplored regions, The objectives of these federations have thus been varied.

In some of the developing countries of the region, in certain fields cooperative federations have been organised mainly for the purpose of helping the development of marketing cooperative movement for example, in India. While noting some of these developments, the Conference suggested the advisability of having **a flexible policy** with regard to the formation of federations. Such federations may be organised even though the number of primary cooperatives federating are not large. The suggestions made with regard to organisation of federations were:

1. Cooperatives should be stimulated to cooperate among themselves in a federation whenever this means that some of their services for the primary members could be better performed or better price could be obtained by large scale operations and pooled resources.
2. The federation might merely be an intermediary stage for an amalgamation of small business units into one larger unit with more specialised and other skilled personnel. It could at the other extreme, be a federation for carrying out general cooperative education and marketing policy with or without the support of the government. In respect of the later, it is essential to ensure that

not too many federations are set-up as this is likely to cause confusion and hamper the coordination which is necessary particularly so in view of the limited resources which the cooperatives have.

3. In organising federations, it is necessary to have a cautious approach so that there is no overlapping of functions. In cases where the same purpose is already fulfilled by farmers' unions, these should not be undertaken by other organisations. Nor should a federation be set up only to prove united action where in effect such action could not as yet be provided and the government backing is found.

4. Federations of business activities meant more of pooling and before pooling could be recommended, the principles for the sharing and the effects thereof ought to be carefully investigated.

5. As a general conclusion it was found that the financing and the form of federation depends primarily on the conditions in various countries. It was rather difficult to envisage the beginning of an integrated marketing system through a federation unless there is a steady government support.

PRIORITIES IN THE OPERATIONS OF MARKETING COOPERATIVES

The nature of activities that a federation should undertake will ultimately be determined by the objectives which a federation has set itself. Among the different activities planned to be undertaken, a list of priorities should be worked out and these should be taken up gradually as it feels its way and gains experience. The expansion of activities in different fields should be decided upon in the light of the resources, capital, managerial talent and business acumen, the federation has. The Conference emphasised this particularly because of the fact that in certain cases federations have taken up varying functions without due regard to the resources they have and have thus got into avoidable difficulties.

In the initial stages, federations should undertake functions which are simple and do not involve ^{essence} business risks. These relate to marketing of produce on commission basis, supply of seeds and ferti-

lizers etc. In this connection, taking up of jobs on behalf of the government was also suggested. Such activities provide a protected structure to cooperatives and also because of assured demand, business risks are removed. Some of these activities would also enable the federations to secure business experience and contribute to strengthening their financial resources. At an early stage, efforts must be made to extend the activities in other fields some of which might be more difficult and complicated. The object should be to take up as many related and necessary activities as possible within the overall availability of resources both financial and human. Apart from undertaking merely economic functions, the federation should also enter into other fields such as agricultural extension and assist the cultivator in improving his techniques of production and thus increasing the productivity of both land and labour. As a general conclusion the Conference observed that it is rather difficult to indicate priorities for different operations as much depends upon a number of variable factors as indicated above.

PROCUREMENT OF COMMODITIES FROM AFFILIATES FOR DOMESTIC AS WELL AS FOREIGN TRADE

THE Federation should take appropriate measures for mobilising the agricultural surplus from the rural areas so that the produce could be profitably marketed either in the internal or external markets. The Conference discussed a number of problems arising out of the procurement of commodities from affiliates by a federation. These problems relate to, standards of norms of acceptance of goods by a federation, packing, finance, transport and development of sound managerial skills among the affiliated cooperative units. Some of the suggestions made at the Conference towards the solution of these problems are:

1. Procurement of commodities for promoting sound trade could be greatly facilitated by development of a sense of loyalty to the federation on the part of the constituent cooperative units, and indi-

vidual members to their respective cooperative marketing societies. In this connection, the Conference felt that profit sharing and payment of rebate on the basis of quality might be useful instruments in securing the loyalty of the members as well as the affiliated societies.

2. While discussing the problems of mobilising the marketable surplus from the rural areas the conference also discussed some of the aspects relating to procurement of agricultural commodities on behalf of the government. It was felt that the problems of procurement would differ greatly depending upon the various situations under which procurement programmes are undertaken. In cases where the procurement is undertaken on behalf of the government at an assured price, the federation will not be required to bear any risks. However, in other cases where the procurement operations are undertaken by the federation on its own, either for internal trade or for exports, the federation will have to bear ^{a large part of} ~~all~~ the financial risks. With a view to evenly distributing the risks among all the constituent units, it was suggested that the possibility of creating ^a risk-bearing fund ~~among the societies at all levels~~ might with advantage be considered. In securing the effective participation of affiliated societies in procurement operations of the federation, the Conference suggested that it might be necessary for the federations to part with a portion of the ^{earnings} ~~profits~~ to farmers cooperatives.

3. The federations should build-up sufficient reserves so that they could withstand any unforeseen losses that might occur in a trading business.

4. One of the major problems to be faced in mobilising agricultural surplus and in launching any procurement programmes arises because of the fact that in the rural areas, by and large, the cultivators are bound to one or the other private traders. In order to wean away such farmers from the private traders, the Conference emphasised the need to assure ^{the best possible} ~~better~~ prices to the farmers and demonstrate to ~~the cultivators~~ the advantages of pooling of produce.

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5. In this connection, the Conference noted the efforts made by some marketing cooperatives ^{in Japan} in paying guaranteed price to farmers for certain commodities.

5. For a number of reasons, in the initial stages, it may not be possible for the marketing cooperatives in many of these countries to ensure a guaranteed minimum price to farmers. ~~Nor is it possible to compete with private traders and pay high price.~~ The advantages of marketing cooperatives have to be viewed from the long-run point of view. In the initial stages, therefore, farmers might have to sacrifice and be willing to accept a lower price. There is, therefore, a need to educate the farmers.

6. The federations should build up an efficient system for handling of produce. In the initial stages, wherever possible, the federation might consider the possibility of entering into a partnership with some of the well-managed cooperative societies and thus raising their operational standards so that they could effectively assist the federations in the marketing operations. This would also necessitate initiation of special programmes of Management Development Programme by deliberate efforts in the direction.

FINANCIAL PLANNING

Prior to the organisation of marketing cooperatives and also in undertaking any particular activity, preparation of a systematically worked out financial plan is important. Because of the absence of such a plan a number of societies got into a variety of operational difficulties and a few of them had to eventually close their operations. Many difficulties also arise because of utilising short term resources for long term purposes. This has rendered societies without funds for day-to-day activities. Financial planning assumes particular importance in some of the countries in this region where the government has a significant role to play in financing and

also in the development of the cooperative marketing societies. A systematically worked out financial plan will enable the societies in estimating the required financial assistance from the government and also to know in advance the quantum of assistance that would be available from the government. Further, it would also enable the government to know of their financial stake in giving assistance to any particular society. This is necessary because of the large scale involvement of the governments in these countries in the development of the marketing cooperatives. Careful financial planning is also necessary because of the fact that a failure of a society has its repercussions not only on the particular society concerned but also on other institutions such as cooperative banks.

In preparing a financial plan due consideration should be given to factors such as the nature of business the marketing federation is expected to do, the levels of operations, the mode of doing business and the expected income or revenue from different activities. The plan should provide for a viable business and should also make provisions for unforeseen risks. It is necessary to take into consideration the factors referred to above as the amount of finance required for different activities vary according to the type of business done and the mode of operations. For example, when certain activities are undertaken on behalf of the government, the financial requirements might be less than those needed when the activities undertaken on their own.

The plan should also indicate the quantum of finance required for long term and short term purposes. Long term resources may be by way of clean accommodation as well as by hypothecation either from a cooperative bank or other agencies. Methods of raising the finance should also be worked out in detail.

The source of finance are both internal and external. The internal resources are, share capital, deposits, revolving capital etc. The ratio between external and internal resources should be roughly 1:1. The external resources would be borrowings from government and from other institutions. The Conference emphasised the importance of internal resources. Some of the important suggestions made are:

1. Contributions to the share capital of the society by the members on the basis of the value of goods sold through the marketing cooperatives. It was felt that introducing this system may not be appropriate in the initial stages. The willingness of the members to contribute to the share capital is mainly determined by the utility of the cooperative marketing societies. It is, therefore, necessary to ~~raise~~ the efficiency of the societies.
2. Possibilities of government contributing to the share capital of the societies should be explored. The government, however, should not have any preferential treatment and the share capital held by the government should be redeemable.
3. The state should also undertake to make deposits in proportion to the ^{portion of the surplus} ~~profits~~ allocated to the reserve fund of the society and the deposits made by the members.

SALES PROMOTION AND SALES ORGANISATION

The Conference considered the importance of promoting sales and organising the distribution system in a systematic way. It was felt that many marketing societies do not have a systematic plan for assessing the marketing potentialities and locate them so that they could expand their sales. In this connection, the Conference stressed the need to consider the possibilities of adopting some of the practices followed by the private ^{commercial} trading concerns. These relate to conducting market research studies, initiating technical research in producing goods which could meet the genuine consumer demand, organising proper distribution system and adopting competitive price policy. The societies should adopt a deliberate policy to promote sales through effective advertisement, ^{ing} propaganda, etc. The marketing cooperatives should give special attention to some of these aspects and provide necessary funds for undertaking such activities. *There is a need to bring ration distribution and integration in agricultural marketing.*

While discussing this aspect the Conference observed that in certain fields such as cultivation of improved seeds, manufacturing of fertilisers and their distribution, cooperatives have considerable scope. These fields are largely non-competitive and the products have

an assured demand. Cooperatives should therefore explore the possibilities of entering in these fields.

ADMINISTRATIVE SET UP FOR POLICY MAKING AND CONTROLLING OPERATIONS:
AREAS OF RESPONSIBILITY AND LEADERSHIP - ROLE OF THE GENERAL MANAGER

The administrative set up for a cooperative organisation comprises the general body meeting, the elected board of directors and the employed managerial personnel, especially the general manager or the managing director. For the orderly business management of a cooperative society most relevant is the **relation** between the Board and the Director and this question was very much dwelt on in **the Conference.**

As a general principle it was felt that the Board of Directors should confine its activities to the formulation of policies and reviewing from time to time the business and financial progress and suggest remedial action. The general manager or the managing director, on the other hand, should confine ^{himself} to the execution of the policy formulated by the board. During the discussions it was also felt that it is not always easy to demarcate the functions between policy making and execution. ~~The policy making function in a small society is likely to be a routine executive matter which ought to be handled by the employed personnel.~~

In order to enable the board to perform its tasks properly it was felt that the general manager should supply the board with adequate information on business trends, financial data, programme of work, etc. and indicate the specific problems as well as the alternative lines of action proposed. The pros and cons of the proposals ought to be properly spelled out so that the board could make proper decisions. It is through this process that ^{the} board could be educated in the performance of its tasks and over a period of time could ask ^{the} right type of information. Making the board members familiar with the problems of the business concerned, is thus an important task for the general manager. This should aim at developing a ^{critical} ~~concrete~~ outlook and ability to evaluate the financial and other data provided to them.

Some of the important aspects that may be covered in such a task are: the interpretation of principles of equality in dealing with members, and the interpretation of cooperative practice in terms of formulating pricing policy, quality payments, patronage refunds and use of surplus.

The Conference felt that the directors operating through sub-committees for tackling the various business tasks is indicative of the desire of the board to manage the business itself rather than confine its activities to policy making. Such a practice is not conducive from the point of view of managerial efficiency. The board of directors ought not to degenerate into the managing committee performing routine tasks of purchasing, fixing prices of individual commodities, transfer of personnel, etc. The board should take a long-term view of the programmes and policies of the society as against the day to day activities and the short-term questions with which the general manager is confronted. Well-defined division of powers of the general manager will contribute greatly to the smooth relationship between the general manager and the board of directors. A proper rapport between the two should also be developed. The Conference also felt that political ^{alignments} ~~problems~~ should not be brought into the working of boards by people who may be having affiliations to one or the other political party.

PRODUCT IMPROVEMENT PROGRAMME

Product improvement embraces a considerable variety of functions. These include, ensuring supply of the right type of produce in the required quantities at the least possible unit cost consistent with the adequate services for the efficient producer, and securing the best possible price for the individual members' produce.

It was recognised that the role of cooperatives should be to guide and assist producers in adjusting their produce to the consumers' requirements, ^{taste, and processes and also the needs of the industry,} ~~and tastes.~~ In that respect product specification and standardisation are important. Equally essential are the provision to affiliates of adequate advisory services and

requisites. Although the respective roles of governmental extension services and of cooperative advisory services vary greatly from country to country, it was recognised that in most instances cooperatives have to assist their members. Farm management advice and technological guidance are often an integral part of the cooperatives' own plans of operation. In a number of cooperatives these activities are bound up within a policy of Supervised Credit. However, the need to avoid over-ambitious approaches in that respect was stressed. In Japan, cooperatives are helping smaller farmers to set up joint production units.

Among the means often utilised by cooperatives to facilitate an improvement in producers productivity is the supply of collective facilities such as machinery tools, cooperative spraying etc. Usually a consolidation of parcels and a serious education of farmers has to be conducted before such advanced methods can be usefully implemented.

The importance of farm book-keeping and accounting was stressed. While cooperatives should press the members to keep sufficient - if elementary - records of their operations and supply them with the necessary forms and advice, the purposes and usefulness of farm accounting should first be fully understood.

When the cooperative members remit marketable produce to their society, it becomes its responsibility to increase the commercial value to the fullest possible extent. A wide range of activities are involved in the implementation of that task. These include, grading, processing, packaging, marketing and promotion, all of which have their technological and their economic aspects.

The dual role of grading (that of inspection and that of an instrument of efficient marketing and of sale promotion) was stressed. The ultimate responsibility of governments for stabilising and controlling grades which must apply to trade through cooperative and non-cooperative channels was recognised. It was also noted that grading must often take into account consumers actual requirements and preferences rather than theoretical standards.

Processing by cooperatives proceeds to more and less advanced stages depending upon the position of the markets to be supplied. Although advanced methods of processing should not be neglected where outlets of sufficient size are available for the end products, it will often be preferable to make the best possible use of more traditional methods (drying, salting) especially in these countries where consumers are not equipped to secure the benefits of refrigeration. The high cost of sophisticated industrial methods of processing cannot be overlooked either. The balance of costs (in capital and in operating expenses) and of returns must always be kept in mind.

Much the same kind of considerations are applicable to packaging. The impact of attractive and convenient packaging and labelling on consumers demand should never be underestimated.

As aspect of marketing which is often neglected at the risk of considerable losses to the cooperative movement and to the national economy as a whole is wastage and deterioration of products between the farm and the final market. FAO's intention to devote special attention to that problem in its next report on State of Food and Agriculture was welcomed.

Improving marketing machinery and establishing the most efficient links between the various stages of distribution is essential. Federations and unions will therefore have to conduct continuing research covering all phases of their operations and pass on the results of such research to their affiliates - especially the primary societies - in understandable form.

Market information and intelligence should also be made available at frequent intervals to all concerned.

The Conference discussed many aspects of product improvement programmes and felt that the problems confronting marketing federations in the various countries were similar enough to justify an intensification of international consultation and cooperation in that field.

TECHNICAL SERVICES FOR AFFILIATES

In the process of marketing of their goods, primary societies come up against problems which they cannot solve unless they pool in order to render services or form secondary societies. In the latter case, secondary or tertiary societies set up services of two types for their primaries.

Ideological services such as education on principles, work and laws concerning the cooperative movement; function of audit; and representing the cooperative movement at the national level and in negotiations with the government.

While discussing these aspects it was stressed that auditing can grow into a ^{"fundamental base for"} ~~school of~~ business education. The secondary societies would contribute to strengthening the bargaining position of cooperatives vis-a-vis the government and the cartels.

Functional services done by functional unions can be divided into three broad aspects:

- i) equipping the primary societies for their proper functioning. This is the most important type of service for the purpose of agricultural growth. It comprises all kind of technological guidance and equipment which helps the farmers to improve their productivity and thus increase their output and income. In addition to production, this type of services includes transport, processing, storage, grading, standardisation, packaging, etc.
- The discussion showed that this type of services combined with proper extension is the most important factor for making the cooperatives strong organisations and thus contributing to the development of agriculture. ^{The} Farmer should be the primary concern of this service.

ii) **Assisting** the primaries with information and guidance to ensure the **profitableness** of their undertakings. In this field, the discussion drew attention to proper use of statistics, improvement of operational research and marketing analysis.

iii) Making representations on behalf of the primaries in respect of the problems common to the primaries.

The Japanese delegates gave the account of their experience which concentrated most of the agricultural services around the primary societies.

MANAGEMENT DEVELOPMENT PROGRAMME

The essence of Cooperation is democracy, equity and social justice. It is essential that the employees of cooperatives understand the aims, objects and practices of "Cooperation". The employees must have a sense of devotion to the cause of Cooperation. **Cooperatives; therefore,** need to give special attention in Management Development Programme. This programme includes recruitment of employees, planning training programmes and other related aspects.

The main objects of management training programmes could be:

- (i) Providing the managers, prospective managers and other employees in the management cadre, ^{with} the basic knowledge and understanding of business economics.
- (ii) To ~~create~~ ^{develop the} business skill and ability of the employees.
- (iii) Imparting cooperative education including the aims and objectives of a particular society with which the employees will be working.

Lectures, seminars, job training, role playing, project reports, etc., are some of the methods by which the required training to employees could be given. The training must help the employees in the practical application of cooperative principles. It is also necessary to carefully watch the performance of employees and wherever

necessary, they should be enabled to secure further training. The field of training should be decided in the light of the employees performance in different fields of activity. The training programme planned for the employees should not, therefore, be rigid and must be flexible and should provide for adjustment and readjustment according to the needs of the employees. It is also necessary to generate the spirit of team work and devotion to work. The employees must identify themselves with the society and in achieving this, the team spirit among the employees has a considerable significance.

The Conference also emphasised the ~~importance of careful selection of personnel at the time of recruitment, scrutiny and screening of prospective employees before being recruited.~~ In attracting suitable candidates to cooperative service, providing adequate remuneration and salary scales, scope for promotion and other benefits was emphasised. While discussing these aspects, it was suggested that it would greatly help the cooperatives if a pool of personnel seeking employment, particularly at the managerial level, ~~is~~ ^{were} created. It is in this field the federations have a great role to play.

TECHNIQUES IN ACHIEVING INTEGRATION BETWEEN NATIONAL/REGIONAL REGIONAL BODIES AND PRIMARY SOCIETIES

Concept of Integration

The subject of integration was discussed in a somewhat broader way than the formulation indicated above. Integration was understood to be an effort to improve the gains to the farmers through improvement in the process of marketing and associated activities such as supply of credit, agricultural in-puts, and cooperation in production programmes. Integration may be in the form of collaboration in a few activities, amalgamation of the various units or centralisation of activities in a federal body. Such an integration may be of two types:

- i. Horizontal integration
- ii. Vertical integration.

Horizontal integration was defined to imply the integration of ^{i.e. integration between organisations fulfilling the same economic functions} units operating at the same level for the purpose of achieving greater

bargaining power through collaborative effort which may extend to even amalgamation of the units. *Horizontal integration is often prerequisite to securing integration.* Vertical integration takes

place when the various units collaborate and/or establish a secondary organisation in order to ~~achieve~~ *fulfill a variety of functions, this will also help in securing a commanding position and thereby contribute to output.* economies of scale through saving in overhead costs per unit of service or output.

Such vertical integration may be in the form of centralisation of business activities previously carried on by the affiliates, through establishment of secondary organisation for the purpose, if needed.

The greater part of discussion was concentrated on vertical integration, which was regarded necessary for attaining a high degree of efficiency while retaining the essential democratic character of the marketing movement.

Purposes of Integration

The purposes of integration were indicated as follows:

- i. Elimination of duplication of facilities and functions for developing greater collective bargaining strength;
- ii. for achieving economies of scale;
- iii. for ensuring dependability of services for the affiliates and the farmer-members;
- iv. for centralising decision-making power and thus achieving managerial efficiency; and,
- v. for making channels of communications more effective.

Advantages of Integration

Some of the advantages of integration are spelled out above while outlining the purposes of integration.

- i. It was felt that in addition, the following advantages would accrue to the constituent units and the farmer-members. Economies would be affected through standardisation of certain facilities at the local or constituent level, such as standardisation of storage houses or standardisation of book-keeping.

ii. Management training would be facilitated thereby ensuring maximum utilisation of manpower resources within the entire cooperative structure. A career programme for managers and employed personnel would also become available which would enable them to move to higher positions, thus providing them with incentives as their skills improve.

iii. The structure as a whole will be able to achieve greater competitive capacity, and thus a favourable image of cooperatives would be created. The cooperative structure would also be able to project its image properly through the use of trade marks, uniform packaging, etc.

Obstacles

The obstacles to integration were listed as follows:

- i. It was felt that sentiments of ~~attachment~~ of local people to smaller units may be an impediment to amalgamation of units at the same level as well as ^{it} centralisation of certain functions in the interest of business efficiency. Persons of responsibility in local organisations may find their social status diminished as a result of horizontal or verticle integration.
- ii. The existing leaders and members may not fully appreciate the advantages of integration and may, therefore, not give the needed support to federal bodies or to larger cooperatives which have emerged through amalgamation of smaller units.
- iii. The lack of adequate capital may prevent effective integration taking place between the federal body and the constituent units.
- iv. On account of lack of planning the federal bodies may not be able to find out significant areas of activities which they could develop on a centralised basis and thus provide effective services.
- v. Lack of availability of skilled managerial and other personnel may impair the efficiency of federal organisations where the complexity of business is much greater.

Techniques of Achieving Integration

Various techniques for achieving integration were described. Firstly, it was felt that careful planning should be made for defining the objectives of integration and areas of activities where integration is required. While making such careful planning, the relationship of the parts to the total structure should be clearly defined through demarcation of the responsibilities of the affiliates and the federal bodies. In this connection, it was felt that the federal organisations should not rely, except in the formative or critical periods, on the member loyalty alone at some sacrifice, but should make that loyalty effective on account of efficient services given.

Secondly, it was necessary that the facilities in terms of capital and managerial resources should be acquired in order to perform the centralised or integrated functions effectively.

Thirdly, when integration of any activity is established, members and leaders of constituent unit should be convinced of the value of integration. Through educational activities,

Fourthly, where full integration is not feasible or considered desirable integration may be developed between the constituent unit and the federal bodies through the development of contractual relationship such as management contracts as practiced in Ontario *Province* ~~district~~ of Canada.

Fifthly, the State itself may adopt policies likely to promote integration amongst cooperatives. For example, the State may agree that the cooperatives will be utilised as a channel for dispensing credit to farmers or that a particular county or district would get the benefit of a minimum price guarantee for the produce if two-thirds or three-fourths of the produce in that area is marketed through cooperatives.

Measurement of Efficiency of Integration

Finally, the Conference indicated the following criteria for measurement of ^{efficiency} integration.

- i. the extent of increase in benefits to the farmers, primarily in economic terms but also the social benefits; the gains to farmers could be converted as and when possible, in monetary terms for measurement purposes.
- ii. the extent of capital accumulation in order that the structure as a whole can provide sustained benefits to the affiliates over a long-term period.
- iii. the extent to which operations are rationalised and costs lowered.
- iv. the extent to which a two-way communication system is developed whereby member influence is reflected in centralised decision-making and the services provided through the centralised organisation reach effectively the affiliates and the individual members.

Background Paper

THE PRESENT POSITION OF AGRICULTURAL COOPERATIVE MARKETING IN CEYLON

by

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THE PRESENT POSITION OF AGRICULTURAL COOPERATIVE MARKETING IN CEYLON

Agricultural Marketing Cooperatives in Ceylon may be classified under the following groups :

Group - A

	No. of Societies	Membership
(a) Multi-Purpose Societies engaged in more than one activity including agriculture (Overall membership 600,000)	3,024	480,000
(b) Multipurpose Societies engaged in agriculture only	554	65,538
(c) Cooperative Agricultural Production & Sales Societies	43	17,750
	3,621	681,288

In the field of agriculture all the above Societies are engaged in the supply of services and the marketing of paddy. It is estimated that 90 per cent of the cultivators are served by these Cooperative Societies.

There are also the following cooperative agricultural societies which specialise in certain commodities and services as their names indicate :

Group - B

	No. of Societies	Membership
(a) Coconut Producers' Societies	18	4,570
(b) Tea Producers' Societies	26	4,179
(c) Rubber Producers' Societies	4	265
(d) Tobacco Producers' Societies	85	9,898
(e) Dairy Societies	31	1,447
(f) Vegetable Producers' Societies	4	256
(g) Poultry Societies	80	2,000
(h) Arrack Distillery Societies	1	257
(i) Plantain Sales Societies	1	87
(j) Cardamom and Citronella	4	147
(k) Young Farmers Societies	172	3,200
(l) Other Types	31	1,650
	457	27,956

The membership of these two groups of societies is not mutually exclusive, as the same person would require the services of more than one society according to his various needs.

One might add to this list a certain number of credit societies of unlimited liability, which act as agents of marketing societies especially in the field of vegetable marketing. The number so engaged would not count more than 100 out of the total of 3,671 credit societies.

2. The Cooperative Movement had its beginnings in Ceylon with the enactment of the Cooperative Credit Societies Ordinance in 1911. It was only after 1921 that societies other than Credit Societies were permitted by an amending Act. But it was not till about 1935 that the idea of Cooperative Agricultural Marketing was considered as a practical solution to the economic distress prevailing among farmers.

3. Milk Marketing

The first successful Cooperative Marketing Society in the field of agriculture was registered in 1932. Today there are in all 32 milk Marketing Societies with a membership of nearly 1500 dairy-men. A Co-operative Union of Dairy Societies was subsequently formed with a view to more organised marketing and it worked very successfully until its activities were taken over by the National Milk Board set up by the Government in 1955. The dairy societies sold nearly 2,000,000 pints of milk during 1965. Most of the milk was supplied on contracts to the National Milk Board, Government Hospitals and Milk Feeding Centres.

4. Tobacco Production and Sale

The next type of Marketing Society in chronological order was for the production and sale of tobacco, in the Jaffna Peninsula, where tobacco had been a well-established cash crop. This commodity was mainly exported to India by the private traders who granted advances to producers on the usual understanding that they should hand over the crop. The collection, curing and export of tobacco was thus the special field of the private trade. There was unconscionable exploitation of the small producers. The tobacco growers therefore grouped themselves into Cooperatives and performed these functions themselves. Following on the success of the Jaffna Tobacco Sale Society, similar societies were organised in the Eastern Province, an area equally well suited to this cultivation. There are in all 85 societies today with a membership of nearly 10,000 tobacco growers but these societies have experienced a serious set-back as a result of the recent changes in the fiscal policy of the Indian Government which banned the import of this commodity. Consequently in recent years these Societies have changed over to the production and marketing of Cigarette tobacco, which is bought up in its entirety by the Ceylon Tobacco Company. Only 43 of these are functioning.

5. Coconut Production and Sale

Coconut is one of the main export commodities of Ceylon. The large plantations are largely owned by the indigenous population but the major portion of the total acreage of nearly a million acres belongs to small-holders i.e. owners of units of 10 acres or less. The coconut industry has therefore been the happy hunting-ground of

private money-lenders and traders who were well entrenched in this business so much so that when attempts were made in about 1932 to form Cooperative Societies they successfully opposed those attempts. But eventually Cooperative Societies gained a foothold among the small holders in about 1940, during the war years, when conditions favoured cooperative organisation. There are 18 Coconut Producers' Cooperative Societies. Some of them own plant and machinery on a large scale. There are 13 mills owned by societies and they produce desiccated coconut, fibre, charcoal, coconut oil, poonac and manure. The total sales effected by this group amounts to Rs.10,70,000/-. A Union of these societies formed in 1942 called the Ceylon Cooperative Coconut Producers Union handles the sale of their products to exporters. At one time the Union itself handled a certain quantity of the export trade in coconut products. The Government had a quota system for these exports and at that time one-third of the entire trade in desiccated coconut was handled by the Union. After trade conditions settled down a few years after the war, the quota system was discontinued. This proved a set back to the Union. However, once again there are definite signs of revival. One large primary society exports desiccated coconut on its own. The Union is now in a position to contract with foreign organisations for the supply of coconut oil & c.

6. Tea Production and Sale

Marketing cooperatives have been established among the Tea Small-holders i.e. owners of units of 20 acres or less, where the same type of exploitation has been rampant. In fact in the tea industry the scope for exploitation is even more as the tea

small-holder is completely dependent on private factory owners for the processing of the green leaf. The large estate owners who own about 80 per cent of the entire acreage have their own factories and are commercially well organised but the small holders are not so fortunately placed. Consequently the need for cooperative organisation to provide credit and for the collection and processing of tea leaf began to be felt. The first tea small holders societies were formed in about 1950 and today there are in all 26 Tea Small Holders Societies with a membership of over 4,000. Two societies own first class factories for processing the leaf whilst the rest sell their leaf to neighbouring factories.

7. Rubber Production and Sale

There are 4 Rubber Production & Sale Societies. The multipurpose societies also deal in rubber. The total value of rubber marketed through Cooperative Societies during the year 1965 was Rs.469,000/-. Though negligible progress has been made yet, much interest has been shown recently by rubber small-holders to organise themselves cooperatively.

8. Marketing of Vegetable and Fruits

The production and sale of vegetables now looms large in the cooperative horizon in Ceylon. The marketing of vegetables and fruits on a cooperative basis received the attention of the Hon. Minister of Agriculture as early as 1935 but this activity was not attempted till 1941 when the cooperators of the premier vegetable growing area, who had hitherto been active only in the field of cooperative credit, banded themselves together to form a Vegetable Marketing Society at

Palugama, a village situated in the hill-country. While these growers were fairly adequately financed through their credit societies, they were entirely dependent on private commission agents for the disposal of their produce. Therefore, as the next step in cooperative development, the members of their own free will, organised themselves into a Cooperative Agricultural Marketing Society which was registered in 1941. The Cooperative Department took a big hand in making investigations and fostering the idea of a marketing society. The society commenced marketing its produce in Colombo soon after. In its first year it sold vegetables to the value of only Rs.5,200/- and incurred considerable losses as a result of cut - throat competition by commission agents. It is said in the Registrar's Administration Report of that year, that "On one occasion even the lorry of the Society's transport agent was bought by the enemy, to deliver the society's vegetable to the private trader instead of the Society's stall in Colombo". With this sort of sabotage the society had a very up-hill task indeed, and might have crashed if they did not receive the active support of the government. This struggle went on for some years with cut-throat competition, boycott and thuggery, which were all aimed at disrupting the cooperative effort, but the members continued to support their society undaunted and ultimately emerged victorious. The war years helped to build up this society, because it had gained recognition by then as an organisation rendering valuable service at a time of scarcity of food in Colombo. This Society met with great success during the subsequent years, and eventually established its wholesale selling points in provincial

capitals. It owns a fleet of lorries and vans and excellent Headquarters. It now has an annual turnover of over one million rupees, in contrast with its first year's figure of five thousand rupees ! During the years that followed other areas which were producing vegetables also organised themselves into cooperative societies, following the good example of Palugama. Thereafter it was but natural that a Union of these societies should be formed to do business on a wider scale than primary societies could do by themselves. A Union of Agricultural Producers' Societies was therefore organised and registered in 1961, with its Headquarters at Colombo. This Union now has a membership of over 230 societies all of them interested in the production and marketing of vegetables and fruits. The Ceylon Cooperative Producers Union has a wholesale market in the city of Colombo not far from the private wholesale market and wholesale floors in four outstations. It is reckoned that over 100,000 cultivators from various parts of the island ultimately sell their vegetable and fruit through the Union. The total value of produce handled by the Union during the year 1965 amounted to 1,927,000 rupees representing a total quantity of approximately 18,000,000 lbs. This quantity represents approximately 30 per cent of the entire wholesale trade in the city of Colombo. Apart from the marketing of vegetables and fruits, the Union has issued loans in cash and kind to the societies. These loans are ultimately channelled to the producers themselves. Loans made in the form of fertilizer, insecticides and implements, are recovered at the Sales-point of the Union. Approximately 50 per cent of the value of each consignment is credited to the loan accounts. The Union has

also financed the pine-apple growers of an area largely given to this through funds made available for this purpose by Government. A sum of approximately Rs.750,000 has been issued to 78 societies representing about 580 growers and a total acreage of 1,500.

The production of vegetables and their marketing on a cooperative basis has attracted the attention of the present Government. It has been given a very important place in the Agricultural Development Proposals of the Ministry of Agriculture. Encouraged by this the Union has set itself the ambitious target of handling 70% of the entire vegetable trade in Ceylon by 1970. To this end the Union is now engaged in planning production with the assistance of the Cooperative and Agriculture Departments. It is believed that if the Cooperative Societies can be induced to plan their cultivation over a total extent of 20,000 acres having due regard to seasons and varieties, the Union will be in a position to reach this target.

9. Marketing of Paddy

The production and marketing of paddy is naturally the most important form of agricultural activity in Ceylon, as rice is the staple diet of the people and about 50 per cent of the entire rice requirement of the island is yet being imported from abroad. Cooperative activity in this field of marketing started in 1940, during the war years when the price of locally grown paddy was in the region of Cts. 80 a bushel. Prior to the war, Ceylon depended to a large extent on imported rice to feed its people and therefore the local price was governed by the price of the imported commodity. Another fact was that Ceylon rice was supposed to be inferior in

quality as compared with the good varieties imported from India and Burma. Therefore, the price of locally grown paddy was very low. The need to get even a few cents more led to the formation of Cooperative Paddy Marketing Societies. Much ground had already been gained by the Cooperative Credit Movement. The formation of marketing cooperatives was therefore a natural development. With the advent of the war and the consequent problems of rice importation, there was a heavy demand for local rice. To prevent mal-distribution the Government introduced the Internal Purchase Scheme which compelled producers to sell their paddy to Government at a fixed price of Rs.6/- per bushel and started to ration the available rice. The policy of Government regarding the purchase of paddy was altered after the war, and in place of the scheme for the compulsory sale of paddy the Government set up a Guaranteed Price Scheme in 1948. This was part of the Government effort to increase food production so as to curtail imports as far as possible. Under this scheme it was no longer compulsory for the producer to sell his paddy to Government and he was free to avail himself of better prices in the local market. The Government also promoted the formation of Production and Marketing Societies on a large scale. The main objects of these societies were to finance members for production purposes such as the purchase of seed and fertilizer and tractor ploughing, and the rates of interest varied from 4 to 6 per cent. The Society also provided marketing facilities by collecting members' produce under the guaranteed price scheme and handing it over to Government. By 1953 the number of Cooperative Agricultural Production and Sale Societies rose to 709 with a membership of 169,704. The value of all produce handled was in the region of Rs.16,000,000. The

complexion of the Cooperative Movement changed somewhat in 1957 when there was a drive to convert single-purpose organisations into Multipurpose societies and consequently all societies in agricultural areas were able to give the farmers not only consumer services but also producer services, such as the supply of manure and insecticides and the marketing of produce. The picture today is that there are 43 Agricultural Production and Sale Societies (which were not converted into Multipurpose Societies), 554 Multipurpose Societies engaged only in agricultural work and 3,024 Multipurpose Societies engaged in more than one activity including agriculture.

The Government lends to Cooperative Societies all the money required by cultivators for production purposes. The amount so lent is generally in the region of Rs.35 million a year. Up to 1963 repayments were very satisfactory the amounts lent and recovered being equal. Since then more liberal lending together with an island-wide drought in 1965 has resulted in only 23.5 per cent being recovered out of the total of loans given during 1965/66 plus the amount outstanding at the end of the previous year. The position is therefore unsatisfactory as regards these years, although when the entire period of lending is taken into account i.e. 1947 to 1965, the amount overdue is only 16 per cent of the total sum lent during the entire period.

The total value of produce handled during 1965 was Rs.324.8 million or Rs.32.48 crores of which paddy accounted for Rs.315.8 million, vegetables for 3.3 million and red onions for Rs.4.9 million. The societies supplied agricultural requirements to the value of Rs.12.4 million.

10. Ceylon is essentially an agricultural country with age-old customs associated with agriculture. Most of these customs are based on the principle of the entire village cooperating to carry out certain tasks. Thus the background is essentially one of self-help and cooperation. The majority of the population, over 80% of them, are country folk and their mainstay is agriculture. Therefore, the need for cooperative agricultural marketing is very real. It has been but partly met. The results are satisfactory enough to warrant a firm belief that cooperative marketing in the sphere of agriculture has come to stay, in Ceylon.

Background Paper

MARKETING OF AGRICULTURAL COMMODITIES ON COOPERATIVE BASIS IN INDIA

by

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MARKETING OF AGRICULTURAL COMMODITIES ON COOPERATIVE
BASIS IN INDIA

Production, processing and marketing are the three pillars of the Agricultural Economy. Marketing is the pivot round which rotates the well-being of the Nation in general and the farming community in particular. The Royal Commission on Agriculture (1928) was the first body to draw pointed attention of the Government to the deplorable condition of the Indian farmer labouring under serious disabilities and being exposed to exploitation by the trade in the marketing of his produce in the following words:-

"The Agricultural Departments in India have done much to improve the quality and to increase the quantity of the cultivators' outturn, but it cannot be said that they have been able to give him substantial help in securing the best possible financial return for his improved quality and his increased outturn. Except to a limited extent, where improved quality is concerned, they have regarded the problem connected with the marketing of his produce as outside their purview. The Co-operative Departments, again, have been, too much occupied with their primary functions of organising credit to be able to devote much attention to these problems nor have they been sufficiently well equipped with the special knowledge required for dealing with them. His interests have, therefore, in the main, been left to the free play of Economic forces and they have suffered in the process. For he is an infinitely small unit as compared with distributors and with the consumers of his produce, who in their respective fields become every year more highly organised and more strongly consolidated."

It is their interest to secure from the producer the raw material they handle or acquire at the lowest possible price. Marketing is the sole business of the distributor, whereas from the point of view of the cultivator it is apt to be regarded as subsidiary to the production. The circumstances of the average cultivator in India favour this attitude. His farming is still largely of the subsistence type. His sales of produce are intermittent. His day to day concern is with production and upon this his attention must in the main be fixed. The traditional lore and inherited experience of his craft centre round the work on his holding; they are for the most part lacking on the commercial side of the business. Until, therefore, he realises that, as a seller of the produce, he must study the art of sale, either as an individual or through combination with other producers, it is inevitable that he should come off second best in this contest with the highly specialised knowledge and the vastly superior resources of those who purchase his produce."

They further emphasised that incentive for improvement in production cannot take roots in producers unless corresponding improvements in the marketing of his produce are taken up simultaneously. The Government of India, therefore, to implement the recommendation of the Royal Commission established the office of the Agricultural Marketing Advisers at the Centre in 1935 and the Marketing Organisations were started in almost all the States with a view to improve the marketing system. The importance of marketing in agricultural sphere has also been stressed time and again. But upto the time this country achieved independence the efforts in the cooperative sector mainly centered around to the supply of credit to the farmers and the activities in the sphere of marketing and processing were negligible. But after the independence, it was realised that cooperation is indispensable instrument for planned

development of the economy of this country and its importance was further emphasised in the following words:-

"In a country whose economic structure has its roots in the villages, cooperation is something more than series of activities organised on cooperative lines; basically its purpose is to evolve a system of cooperative community or organisation which stretches upon all aspects of life."

It will not be out of place to mention that the planned development of cooperative marketing were drawn up during Second Plan with the object of obtaining integrated development in the field of credit, marketing and processing in accordance with the recommendations of the All-India Rural Credit Survey Committee.

National Cooperative Development and Warehousing Board was organised by the Government of India as recommended by All-India Rural Credit Survey Committee Report, 1954 and subsequently it was felt that it was necessary that the Ministry should be linked with the programme not only of development, storage, warehousing and distribution, but set up some organisation connected with the cooperative movement for proper planning, financing and coordination so that cooperative marketing, processing and other cooperative activities may be properly developed and thus National Cooperative Development Corporation was constituted under the NCDC Act, 1962, and thus succeeded the National Coop. Development & Warehousing Board.

National Development Council's Resolution on cooperative policy, 1958, also emphasised the role of village cooperatives in the rural economy. The Industrial Policy Resolution (1956) had earlier emphasised building up a large, growing public sector.

In view of the re-organisation of services such as credit, marketing, storage, distribution, cooperative production and diversification of occupational structure becomes imperative.

Systematic programme of cooperative marketing was undertaken during the Second Plan period for organising 1800 primary marketing societies covering most of the important markets in the country. They were also provided with necessary financial assistance. These were linked with Apex Marketing Societies in the various States and Union Territories. National Agricultural Cooperative Marketing Federation of Apex Marketing Societies was also started during the Second Plan. Share capital contribution was made to these societies and assistance towards managerial cost was also made available. Loans and subsidies were also given for construction of Mandi godowns and rural godowns. At the end of the Second Plan, there were 3108 marketing societies though some of them did not do marketing activities, but were agencies for the distribution of fertilizers and other agricultural requisites besides advancing loans to the members against the pledge of produce. Hence, during the Third Plan, stress was laid on consolidation and development of societies which had already been organised.

544 new marketing societies were to be organised in markets not covered at the end of the Second Plan and thus it was aimed to have a marketing society at each of the Mandies in the country.

During the year 1961-62, about 2000 primary marketing societies undertook the sale of agricultural produce amounting to Rs.60 crores. Other cooperative societies such as Sugarcane supply societies, Sugar factories, Rice Mills, Oil Mills, etc.. also undertook the sale of agricultural commodities. Under the Third Plan the total sales were expected to go upto Rs.360 crores by 1965-66.

The Third Plan provided for construction of 729 mandi-level godowns and 9325 rural godowns and there was a provision for 30 cooperative cold storage in various States in the country.

During the Fourth Plan, the cooperative sector envisages alround expansion in their activities. The target for marketing of agricultural produce has been set up at Rs.850 crores. It is also envisaged to establish 450 new cooperative marketing societies during the same period. The following statement gives an idea about the number of cooperative marketing societies during the years mentioned against them and by the end of the 4th Plan, viz. 1970-71 :

<u>Year</u>	<u>Total No. of Coop. Mktg. Societies</u>
1960-61	3108
1964-65	3234
1970-71	3684

Since processing and marketing go hand in hand it is essential that cooperative processing should also be developed. By the end of Second Plan, 34 cooperative sugar factories out of a total of 41 were in production, (in the course of Third Plan some more factories were expected to be established) besides 127 cotton ginning and pressing units, 164 rice mills and hullers, 64 oil mills, 12 jute baling plants, 51 groundnut decorticators and 26 (besides 20 sugar-cane crushers) other units were assisted during the Second Plan. During the Third Plan, 840 cooperative processing units comprising 48 cotton gins, 36 rice mills, 411 rice hullers, over 29 jute baling plants, 33 oil mills, 63 groundnut decorticators, 77 fruit canning units (small and large) and 220 other processing units were proposed.

If the cooperative marketing structure is given to the grower, the benefit of best price obtained in the most favourable markets, trade practices to be adopted should be of such a type which involved grading, pooling and bulking of the produce and finally sale in the most favourable markets. Such a system pre-supposes that the produce brought by an individual grower would be sorted into grades and he would be given an amount as an advance price. The produce of each grades would then be pooled, processed and finally disposed of in the most favourable market over a period of time. At the end of this period the grower will be paid pooled price based on the gross earnings in respect of each grade after deducting necessary incidentals and handling charges by the cooperatives. Though this system obviously safeguards the cooperatives against risk and enables the marketing cooperatives to negotiate for a good price in the most favourable market on the basis of large quantities. Such an arrangement has its own problems. Under conditions obtaining with-in this country and besides linkage of credit with marketing, it was felt necessary that outright purchases of agricultural produce may have to be undertaken by marketing societies as a matter of "necessity" but not as a matter of "preference" or general policy. Simultaneously, with the introduction of outright purchases, the marketing cooperative societies undertaking outright purchases were to be supported by the State Government by contribution to the Special Price Fluctuation Fund to be maintained by each of such society in the light of the recommendation made by the Conference of State Ministers of Cooperation held in New Delhi in October, 1961. A system of outright purchases was introduced in 200 selected societies in 1964-65 and in another 300 societies during the year 1965-66. This outright purchases of agricultural produce will help the producers on the one hand and consumers on the other through internal distribution and some of the commodities may be exported outside the country and thus the cooperatives may play its role in the export trade by exporting some of the commodities for

which there is an established market.

As stated earlier, rebuilding of agricultural economy in this country can be best achieved through cooperatives, but it is necessary that the supplies of inputs needed by agriculturists are made available to him at reasonable rates and expeditiously and that his produce is sold for the best available price ruling in the market. Since the farmer is a weak link of the Society, financially poor and organisationally weaker, he finds himself at a great disadvantage in the disposal of his produce and arranging supplies of inputs and other necessities needed by him. The cooperative movement has to subserve these needs of the farming community. With this view in mind Government took due steps to organise and strengthen the cooperative structure in the country in such a way that it may successfully carry out the function of rebuilding rural economy.

Thus the integrated plan of cooperatives has to be such as may enable the cooperatives to help its grower members in their production and marketing needs. Such organisation presupposes organisation at each of the state apex and the National level to cater to the needs of their members.

National Agricultural Cooperative Marketing Federation Ltd., as the Apex body of the cooperative marketing societies at the national level is serving its constituents by helping them in finding outlet in the internal and international markets for the commodities handled by the cooperatives as well as in obtaining supplies required by them at reasonable rates. Besides it has also to serve on the one hand as a clearing house of the know-hows in respect of business organisational aspects and on the other hand give a push to the agricultural produce handled by the cooperatives in different States through internal marketing channel or export them

to markets where they may find favourable price. The Federation from its inception has been making attempt in accelerating the movement of the produce from the producing areas to consuming areas with a view to obtain better price for the produce and thereby help the producer as well as its constituents. Branch offices have been opened at Delhi, Bombay and Calcutta, the main internal consuming centres of the agricultural produce.

The Federation is also undertaking the export of agricultural commodities like Pulses and is planning to participate in the export of agricultural commodities like ground-nut and cotton extraction meal, Cashew Kernels, Tobacco, Chillies, Spices, Onions, Fruits and Vegetables products, etc., and progressively take up imports of agricultural implements and machinery required by farmers in the country.

The Federation with the setting up of the following promotional cells will be in a better position to subserve the needs of its constituents in respect of various aspects of marketing of agricultural produce inside the country as well in the international market.

- 1) Market Research & Market Intelligence Cell.
- 2) Agricultural Inputs Cell.
- 3) Fruit & Vegetable Processing Cell.

Though international trade has got its own inherent risk and for a body like the Nafed they are more when we consider the strong foot-hold already gained by the private trade in foreign countries and who are well-equipped in respect of technical know-how as well as the requirement of different importing countries for different Indian products, besides danger of loss due to price fluctua-

tion or keen competition in the world market from some of the exporting countries, the Federation with the financial assistance from the N.C.D.C. has been gearing up its machinery to take up the work connected with market research and market development besides collection of market intelligence needed for such type of activities and has been able to export about Rs.1 crore worth of pulses during the current year.

COOPERATIVE MARKETING IN JAPAN

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COOPERATIVE MARKETING IN JAPAN

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I. Organisation of Marketing Agricultural Cooperatives

In Japan there are 23,846 agricultural cooperatives with or without capital stock as of the end of March 1965. Only the cooperative society with capital stock can engage itself in marketing, purchase, credit, mutual insurance and other activities, and is called multi-purpose agricultural cooperative. There are 9,135 such cooperatives. As of the end of March 1965 the multi-purpose cooperatives have 5,834,000 regular members, which means almost all the farm households are the regular members of the multi-purpose cooperatives, for there are roughly six million farm households in Japan. The business area of these multi-purpose cooperatives is usually smaller than a municipality (administrative unit), and there are multi-purpose cooperatives in almost all the cities, towns and villages.

Those agricultural cooperatives form federations and contribute the nationwide organisations. There are, as of the end of March 1965 and including those without capital stock, 747 municipal federations which cover the area smaller than a prefecture, 312 prefectural federations and 26 national federations, giving the total of 1,089. Among the municipal federations are 265 livestock federations, 246 sericulture federations, 72 rural industrial federations and 89 horticultural federations. The prefectural federations include 41 live-stock, 47 economic, 46 credit, 46 mutual insurance, 37 reclamation, 28 sericultural and 20 welfare federations. The sixteen out of the 26 national federations are engaged in marketing businesses and most of them are specialised federations which deal with specific commodities. As a federation which handles a variety of agricultural and live-stock products extensively, there exists the National Marketing Federation of Agricultural Cooperatives (Zenhanren for short).

The Marketing business of agricultural cooperatives in Japan usually fall on this route : multi-purpose agricultural cooperatives (in towns and villages), economic federations (in prefectures), Zenhanren (on nation-wide stage). A small fraction of such businesses, however, is conducted along the series of specialized federations.

II. The Role of the Marketing Business of Agricultural Cooperatives and Joint Marketing

The marketing business of the Japanese agricultural cooperatives first appeared as a farmers' self-protecting organisation against the commercial capital. The organisation finds the significance of its existence as the defender of the farmer as a small seller against the trading capital in the attempt to establish order in the circulation of agricultural products and to eliminate intermediary profiteering, and it makes every effort to realize the farmers's proper net price. Moreover the organisation can contribute to the national economy through the rationalisation of the economy's circulation process.

The Japanese agricultural cooperatives take great interest in putting "joint marketing" into full operation as the marketing measure to make the most of their organisational power. The marketing of the organised agricultural cooperatives is carried out through this "joint marketing".

In order to bring into the commodity market the petty farm products which are scattered and isolated from the market, these agricultural products must first be collected in large quantities. If this collection is left to the merchants, there is the possibility of unfair intermediary profiteering. To eliminate this disadvantage, the farmers can concentrate on their own agricultural cooperatives and deal with larger markets through these cooperatives. Even if the farm products are gathered in this way, a variety of selling conditions on these products will make large transactions impossible. The unconditional sales consignment to the agricultural cooperatives makes bulk marketing really effective. It will also be possible to regulate the sales in order to cut down the intermediary expenses in the circulation process and to secure the stable net proceeds for the farmers. Thus the Japanese agricultural cooperatives are promoting the "joint marketing based on planned, unconditional consignment" as the effective measure to market the farm products profitably.

III. Production and Sale by the Japanese Farmers

The Japanese agriculture has been centering around rice, miscellaneous cereals, and taros and potatoes. In recent years, however, there has been a rapid growth in vegetables and fruits and live-stock due to the change in the general consumption pattern. The following are some statistics on major farm products for the year of 1964.

(1) Major farm products and output

	(Thousand Mt)
Rice	12,582
Wheat, barley, oats, rye etc.	2,521
Sweet and white potatoes	8,011
Vegetables	11,726
Fruits	4,614
Live-stock products - meats	562
milk	3,054

(2) Percentage of Output in Value :

	(Thousand Mt)
Rice	45.1%
Wheat, barley etc.	3.1%
Sweet and white potatoes	2.6%
Vegetables	11.5%
Fruits	6.5%
Live-stock products	18.8%
Others	<u>12.4%</u>
Total	100.0%

(3) Ratio of farm products sold to Production :

Rice	66.1%
Wheat and barley	84.7%
Sweet and White Potato	81.9%
Vegetables	79.4%
Fruits	98.8%
Milk	98.0%
Eggs	86.2%
Meats	100.0%

4. Ratio of Sales Income per farm household

Rice	37.4%
Wheat and barley	2.7%
Sweet and white potatoes	2.0%
Vegetables and Fruits	17.5%
Live-stock products	25.7%
Others	14.7%
Total	100.0%

IV. Utilisation of Cooperatives by Farmers

The circulation of rice is under the government control and the transaction in the general market is prohibited. The amount of rice sold to the government in 1964 was 6,872,000 ton, out of which the agricultural cooperatives handled 6,428,000 tons or 93.5%.

As to the other major farm products, the ratio sales through the agricultural cooperatives is as follows :

Utilisation of Agricultural Cooperatives by
Farmers (national average for 1963)

	%			%
Barley	81.4		Orange	69.3
Rye	82.5		Apple	42.5
Wheat	69.5		Silk Cocoon	89.2
Soybeans	45.9		Milk	78.1
White Potato	59.2		hen's egg	36.8
Sweet Potato	50.2		Pork meat	32.8
Onion	52.7			

As shown in the above table, the utilisation ratio of the cooperatives by the farmers greatly varies according to the items, which implies that the joint marketing by the agricultural cooperatives is not carried out systematically. Take for instance such items as oranges, apples milk and hen's eggs which are sold out almost entirely. While oranges (69.3%) and milk (78.1%) show high utilisation ratios, the ratio is low for apples (42.5%) and hen's eggs (36.8%). There exists a noticeable contrast

between the apple's low and orange's high ratios in fruits and between the egg's low and milk's high ratios in live stock products. This is attributable to whether the marketing business of the agricultural cooperatives are active or not in a respective producing district. As the joint marketing proceeds and especially as there are more marketing activities directly connected with farm management, the utilisation ratio on the whole has shown the rising tendency except for a few farm products. If we look into the matter deeper, however, it is revealed that the increase in the quantity sold due to the expansion of production is the chief cause for the increase in the utilisation ratio. Moreover, left to the future consideration is the tendency that the cooperative utilisation ratio has risen more for those farm products whose prices have declined relatively more or have remained low as the production increased.

V. Sales of the agricultural cooperatives and utilisation of the agricultural cooperative organisations (for 1964)

When we look at the marketing businesses of the agricultural cooperatives in terms of the value of products handled, the unit agricultural cooperatives recorded, 1,025 billion yen, the prefectural economic federations 831 billion yen and Zenhanren 759 billion yen. The relative share of rice, wheat, barley and the like is very large in the marketing of the agricultural cooperatives. While rice, wheat and barley constitute about half of the selling proceeds of the farm households, the share of rice, wheat and the like in the total sales is as high as 64.4% for the unit cooperatives, 76.7% for the prefectural economic federations and 89.8% for Zenhanren.

The value and volume of dealings by the unit cooperatives, prefectural economic federations and Zenhanren are as follows:

Value of dealings by unit cooperatives and prefectural economic federations.

(1964, in million yen)

I t e m	Unit Co- operatives (total)	Prefectural economic federations (total)
Rice	614,265	597,300
Wheat, barley etc.	45,641	39,857
Miscellaneous cereals	13,804	9,345
Rapeseeds	2,325	1,993
Sweet and white potatoes	24,125	23,193
Cocoons	31,424	1,746
Vegetables and fruits	114,527	54,419
Straw goods	3,384	1,362
Forest products	9,990	3,767
Livestock products	129,791	84,788
Others	35,535	13,389
Total	1,024,811	831,160

The following tables shows the business of Zenhanren

Articles	Unit	Volume	Value (Mill.Yen)
Rice	1000 Hyo	107,235	636,121
Wheat etc.	1000 Hyo	17,715	44,547
Rapeseeds	1000 Kamasu	688	1,988
Seed potato	1000 Hyo	1,128	1,304
Dried strips of sweet potatoes	1000 M/T	65	2,008
Sweet potatoes for industrial material	1000 M/T	148	1,079
Starch	1000 M/T (1000 rolls for rope)	254	11,600
Straw goods	1000 sheets for straw sacks.	11,242	692
Hen's eggs	1000 M/T	129	21,856
Charcoal	1000 Hyo	2,478	985
Vegetables & fruits	--	--	20,577
Meat livestock	1000 Head	424	10,395
Others			5,648
Total			758,800

The actual marketing is carried out, as a rule, on consignment from unit cooperative to prefectural economic federation and from prefectural economic federation to Zenhanren. In other words, consignment to higher organisations is adopted, except for special small markets, in order to conduct profitable marketing utilisation of the organised marketing routes. The ratio of consignment to a prefectural economic federation by unit cooperatives and to Zenhanren by prefectural economic federations are 89.0% and 87.0% respectively. The ratio of consignment by item is as follows:

Ratio of consignment to higher organisations
(1964, in percentage)

Item	Unit coop- eratives	Prefectural economic federations
Rice	99.3	100.0
Wheat, barley etc.	97.5	92.0
Miscellaneous cereals	69.0	18.0
Rapeseeds	87.1	94.2
Sweet and white potatoes	82.2	67.5
Cocoons	84.1	--
Vegetables	64.9	47.9
Fruits	78.6	66.5
Straw goods	53.3	62.9
Livestock products	62.7 - 76.2	39.1
Others	48.7	
<hr style="border-top: 1px dashed black;"/>		
Total	89.0	87.0

The ratio of utilisation of the prefectural economic federation by unit cooperatives shows an almost total consignment of rice, wheat, barley and the like for sale. As to the other items, the utilisation ratio is fairly high except for some items.

The ratio of utilisation of the marketing routes by the prefectural economic federations is nearly one hundred percent for rice, wheat, barley and the like as in the case of the unit cooperatives, and it is

fairly high for rapeseeds, potatoes, straw goods, fruits and vegetables. The ratio is less than 40 per cent for the other items, which shows that more than 60 per cent of the dealings by the prefectural economic federations is sold outside the cooperative marketing routes. Among the rest, there is a remarkable contrast between the relatively high utilisation ratio for miscellaneous cereals, cocoons and livestock products on the unit cooperative level and the low ratio for the same items on the prefectural level. On the whole, however, the utilisation of the agricultural cooperative organisations is improving year after year.

VI. The Cooperative Marketing in the Future

The consumption pattern of agricultural products is undergoing a great change in Japan. Also inevitable is the qualitative change of the agriculture itself. The future development of the Japanese agriculture will centre around vegetables and fruits and livestock products for which a phenomenal demand expansion is expected. The important future problems in the marketing businesses of the Japanese agricultural cooperatives are (1) increase in the production of vegetables and fruits and livestock products; (2) more rigorous activities in the production sector; and (3) expansion to the processing sector.

Thus the agricultural cooperative has drafted the long range business policy for the cooperative marketing in line with the future development of the Japanese agriculture and is making every effort (1) to expand activities in the production sector such as technical training, (2) to foster cooperation and bring up major producing districts (3) to promote the utilisation of the agricultural cooperative organisations and planned marketing, (4) to expand stable demands and create new demands (5) to establish agricultural and livestock processing businesses.

BACKGROUND PAPER

THE PRESENT POSITION OF AGRICULTURAL COOPERATIVE
MARKETING IN THE REPUBLIC OF KOREA

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THE PRESENT POSITION OF AGRICULTURAL COOPERATIVE
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THE PRESENT POSITION OF AGRICULTURAL COOPERATIVE
MARKETING IN THE REPUBLIC OF KOREA

1. INTRODUCTION

In recent years the promotion of external trade among the Asian countries through cooperative organisations in South-East Asia has been widely discussed.

This idea has considerable merit since it would stimulate development of the cooperative movement, help the balance of trade, as well as to enhance friendship among member countries. On the basis of these three criteria alone, this idea is worthy of being put into effect. Nevertheless, the subject in question has not gone beyond verbal discussion and the practical implementation is expected to be long in coming.

What are the causes withholding the realisation of this idea? There are a number of reasons to explain the retardation. One of the major reasons, however, is that cooperatives of each country have failed in fully grasping the conditions prevalent in other countries as the result of domestic emphasis on alignment, strengthening, and improvement in efficiency of the internal organisation of cooperative movement.

This paper has as its purpose providing delegates from member countries with information about Korea and its agriculture, especially the area of agricultural cooperative marketing.

In the first place, this paper will describe the present situation of agricultural production in Korea and the structure of marketing channels, and, then, it will describe the present status of the export of agricultural products. Finally brief mention will be made about agricultural cooperatives which are expected to play a decisive role in cooperative trade in Korea.

2. SUMMARY OF AGRICULTURAL PRODUCTION

2.1 Status of Major Agricultural Products

The Republic of Korea is located in the temperate zone and has a monocrop culture based on the production of rice. Barley and other grains are also grown. These grains are the leading staple food for the people of Korea.

In spite of the structural limitations of the agricultural system mentioned above, the other kinds of agricultural products have been considerably increased in recent years due to the rapid increase in demand for products at home and abroad.

Even though the quantity of production of these products shows, more or less, erratic movement, the general level of production has been increased from 1962, the first year of the Five Year Economic Development Plan (1962-1966), to 1965.

The production of potatoes, in response to an increase in the demand for starch and raw materials for ethyl alcohol, has increased by 160 per cent in 1965 in comparison with 1962.

The annual production of food crops in Korea can be seen in Table No. One.

TABLE I : Production of Major Food Crops

(In 1,000 M/T)

Classification	1962	1963	1964	1965	Increase from 1962 to 1965
Rice	3,015	3,758	3,954	3,501	16.1 %
Barley	994	305	104	1,281	28.8
Pulse	156	156	163	174	12.0
Red Bean	16	15	17	16	5.2
White Potato	309	293	428	436	41.1
Sweet potato	645	787	1,485	1,679	160.1

Source: Ministry of Agriculture and Forestry, The Yearbook of Agriculture and Forestry Statistics, 1966. pp 146-242

At the same time, production of main fruits has also shown general tendency to increase, as can be noticed in Table Number Two.

TABLE II : Production of Main Fruits

Item	Unit	1962	1963	1964	1965	Increase from 1962 - 1965
Apples	M/T	118	110	125	167	41.5%
Pears	"	27	24	28	40	45.2
Grapes	"	8	6	11	19	147.5
Peaches	"	20	19	35	54	177.0
Chestnuts	Ltr.	1,092	1,539	1,657	1,985	81.8
Walnuts	"	246	176	114	405	64.6

Source: Ibid. pp. 248-249

During four years from 1962 to 1965, apple production has increased by 41 per cent, pears 45 per cent, and grapes and peaches 147.5 per cent, and 177 per cent respectively. The rate of increase in the production of these products is so great that no other comparable previous rate of increase can be found. In addition, swelling demand for chestnuts and walnuts on the part of foreign countries can be explained as the cause of increase in the production of these products.

In the meantime, livestock do not show any noticeable increase. The number of cattle has been fixed around 1,250 - 1,360 thousand heads, and the number of pigs around 1,500 thousand.

Especially, the number of pigs and the production of eggs, which once amounted nearly to 900 million in annual quantity of production, have shown decreasing tendency in production in recent years.

Such a decrease in the number of existing livestock is due to the instability of prices of feed stuffs and increasing demand for meat on the one hand, and due to the governmental policies to place emphasis on (1) the quality rather than on the quantity of livestock in meeting the improved tastes of consumers, (2) on saving food stuffs, and (3) on foreign trade, on the other hand.

TABLE III : Number of Major Livestocks

Item					(in Thousand heads)
	1962	1963	1964	1965	Increase or decrease from 1962 to 1965
Cattle	1,252	1,363	1,351	1,313	4.9 %
Pig	1,671	1,510	1,255	1,381	17.3

Source: Ibid. p.260

In the cultivation of agricultural products which are to be used as raw material for industrial production, except for cotton which shows gradual decrease in production due to heavy flow-in of cheaper US cotton, and castor bean the production of which is reduced to the minimum level because of unusually bad harvest, the general production level has been much increased.

Especially, an increase in the production of ramie, flax, tobacco, cocoon, etc. is remarkable. These phenomena have very important implication in the sense that an increase in the production of these crops not only absorbs unemployed labour because of their intensive character but also contributes to the improvement of farm income.

TABLE IV : Agricultural Production for Industrial Raw Materials

Item	(In metric ton)				Increase or decrease (%) from 1962 - 1965
	1962	1963	1964	1965	
Cotton	17,614	11,975	12,723	11,816	§ 32.9 %
Ramie	847	992	865	1,725	103.7
Flax	467	424	481	745	59.5
Rape seed	5,309	1,814	5,153	6,021	13.3
Castor bean seed	2,463	2,603	2,823	2,362	§ 4.1
Tobacco	35,028	29,008	49,299	56,053	60.0
Cocoon	5,513	6,162	5,842	7,767	41.0

Source: Ibid. pp 254-255

Among these products, tobacco and cocoon are the leading export items, and, therefore, it is almost certain that the production of these crops will continue to increase.

Finally, in regard to the marine products such as laver, shrimps, oyster etc., their production has been remarkably increased. Such increase can be explained in terms of increase in demand for them on the part of foreign countries and new and improved method of cultivation. Other items which have strong overseas demand are cuttlefish, anchovy, fresh fishes etc., but the catches of them show severe fluctuation from year to year.

TABLE V : Production of Major Exportable Marine Products

Item	(In thousand metric tons)				Increase or decrease (%) from 1962-1965
	1962	1963	1964	1965	
Laver	4	17	11	10	131.6 %
Oyster	7	53	32	45	536.0
Anchovy	47	32	36	58	23.9
Shrimp	19	12	15	14	§ 24.0
Cuttlefish	57	117	87	65	13.3

Source: Ministry of Agriculture and Forestry, The Yearbook of Agricultural Economy, 1966, p.76

2.2 Commercialisation of Agricultural Products

To what extent are the leading agricultural products commercialised? As we can see from the following tables, the commercialisation ratio of major food crops is getting higher and higher year after year.

The reason the commercialisation ratio of barley falls behind that of rice is as follows: urban consumers tend to prefer rice to barley for their food and consequently the price of rice is likely to be more favourable relative to barley. Producers, therefore, tend to consume barley themselves and put most of their rice to market.

TABLE VI : Commercialisation Ratio of Major Food Crops

Item	(In percentage)		
	1963	1964	1965
Rice	36.2	47.8	49.9
Barley	15.6	13.7	29.9
Soy bean	19.7	33.7	27.9
Red bean	11.1	20.0	30.1
White potato	11.0	18.1	26.8
Sweet potato	29.0	38.5	44.8

Source: National Agricultural Cooperative Federation, A Survey Report on Marketing and Purchasing Conditions of Farm Households, 1964-1965

Higher ratio of commercialisation of soy beans is partly due to the increase in the military demand for them in recent years. Another high ratio can be found in the production of sweet potatoes. As we mentioned previously, increase in the demand for sweet potatoes as raw material in the process of production of starch and ethyl alcohol caused the farmers to expand their productive capacity in meeting additional demand.

The highest ratio among agricultural products can be seen in fruit items: the ratio of such items as apples, pears, grapes, and peaches reaches nearly 99 per cent.

TABLE VII : Commercialisation Ratio of Apples

Item	(In per centage)		
	1963	1964	1965
Apples	96.1	99.0	99.2

Source: NACF, The Report on the Production Cost and Income of Cash Crops, 1966

Especially, most of the industrial crops are commercialised in this country and this is due to the character of the crops and purpose of their cultivation. The low commercialisation ratio of cotton and peanut can be explained in terms of large quantity of home consumption. In addition, flax, rape seed, castor bean, tobacco, and cocoon are commercialised almost one hundred per cent.

TABLE VIII : Commercialisation Ratio of Cotton and Peanut

<u>Item</u>	<u>(In percentage)</u>		
	<u>1963</u>	<u>1964</u>	<u>1965</u>
Cotton	75.0	66.2	55.1
Peanut	47.5	53.8	32.2

Source: NACF, The Report on Marketing and Purchasing Conditions of Farm Households, 1963-1965

Finally, the commercialisation ratio of eggs among livestock items and that of marine products are quite contrasting. In the case of eggs as shown in the following table, the ratio hardly exceeds 60 per cent, whereas all of the marine products are commercialised.

TABLE IX : Commercialisation Ratio of Eggs

<u>Item</u>	<u>(In percentage)</u>		
	<u>1963</u>	<u>1964</u>	<u>1965</u>
Eggs	49.2	51.6	56.8

Source: Ibid

2.3 Exports of Agricultural Products

The amount of export of agricultural products in Korea has recently been increasing year after year.

The total amount of export increased from 24 million dollars in 1963 to 42 million dollars in 1964 which was a 74.6 per cent increase.

The increase of export of agricultural products showed somewhat in 1965 when a 19.8 per cent increase over the previous year was achieved.

If we break down these products into commodity groups, industrial crops occupy the first place which is followed by marine products. The livestock group shows considerable decrease and occupies the bottom position.

Grain and fruit products can also be broken down into groups. Foreign market for Korea rice is available mainly in Japan, and red beans are mostly sold to Japan and Hong Kong. Apples, chestnuts, and walnuts are the main items of export of fruit products. In case of apples, most of the demand comes from the Republic of China, Chestnuts from Japan and the Philippines, and walnuts from Japan.

Korea also exports cattle and pigs to Japan and Hong Kong. The export however is limited in scale. Other detailed information concerning important commodity groups can be seen in the following two tables.

TABLE NO: X Export of Agricultural Products

Item	(in thousand US \$)		
	1963	1964	1965
Grains	165	2,381	4,340
Fresh vegetables	274	303	224
Livestock	3,781	1,067	19
Industrial crops	11,252	19,078	27,650
Marine products	8,671	19,335	18,264
<u>Totals</u>	<u>24,143</u>	<u>42,164</u>	<u>50,497</u>

Source: Ministry of Finance, The Yearbook of Foreign Trade Statistics, 1964-1966

TABLE XI : Export of Principal Special Products and Others

Item	1963(A)	1964	1965(B)	(in thousand US \$)	
				B/A	Principal importing countries
Raw silk	4,292	5,373	6,491	51.2 %	USA, Italy, Japan
Mushroom	222	558	298	34.2	Hong Kong, Thailand Japan
Tobacco	204	140	553	171.0	W.Germany, Malaysia Netherland
Ginseng	430	1,154	1,877	336.5	Hong Kong, Singapore Japan
Radix angelical	196	281	73	62.8	HK, Vietnam, Thailand
Venner Plywood	5,833	11,395	18,037	209.2	USA, Canada, Japan
Rush products	53	63	128	141.5	USA, Japan, W.Germany
Bamboo handicraft	22	114	193	777.2	W.Germany, USA, Japan

Source: Ibid.

3. MARKETING STRUCTURE OF AGRICULTURAL PRODUCTS

3.1 Marketing Channels for Agricultural Products

In terms of quantity, rice and barley are major products, and, consequently, they dominate the marketing channel. Since these are the most important food consumption items in Korea, government exercises considerable control over their marketing. Marketing of rice and barley is conducted both by government and non-government agents.

Government obtains a certain amount of grain stocks for the purpose of influencing demand and supply and therefore the prices of the staple grains. Acquisition and disposal of these stocks is under direct government control.

On the non-governmental side, the products are circulated either through commercial marketing channel or through agricultural cooperative marketing centres. However, the large part of marketing activities are conducted through the former in which wholesalers are performing an important function.

On the other hand, marketing of sweet potatoes and white potatoes depends mostly on non-governmental agents, with the negligible exception of sweet potatoes, for which government takes sporadic intervention with the purpose of price stabilisation. Due to the rapid increase in demand for potatoes for starch and ethyle alcohol production, the government attempts through the agricultural cooperatives, to maintain a level of price which permits an appropriate incentive profit to the producers and enables the processors to obtain sufficient raw materials. Therefore, except for marketing for household consumption, most of the marketing is arranged by agricultural cooperatives.

On the other hand, marketing of fruits and vegetables follow one of the following cases.

The first case is where the area of production is located close to cities. Here, marketing is usually channelled through middlemen and the centralised wholesale market.

The second case is where the area of production is distant from the cities where the products are to be consumed. In this case assemblers or local buyers are playing important role in channelling the products from producers to consumers in cities.

The third case is where the various products are handled by agricultural cooperatives through their marketing centres. Among the many channels, marketing through their agricultural cooperative accounts for most of the transactions in fruits and vegetables.

The fourth case applies only to foreign trade. In this case, exporters purchase the products directly from producers, producers' cooperatives, or assemblers and make shipment.

The marketing of livestock has not yet gone beyond traditional methods. With the single exception of cattle marketing, most transactions of pigs and rabbits take place through direct individual contract among farmers or between farmers and assemblers rather than through transaction in livestock markets. It is common practice among the assemblers to make direct contract with final consumers without bothering local buyers. However, in the case of foreign trade, marketing is channelled through exporting cooperatives.

On the other hand, one can find very systematic marketing organisation for special crops. Since nearly all raw silk is exported, the exporting cooperative takes care of the entire marketing business. Tobacco and ginseng are government monopoly goods. Therefore, exportation of these commodities must be handled through government channels.

In the plywood industry, the manufacturers are also the exporters. Accordingly, there is no need for agricultural cooperatives to assist in the marketing of plywood.

The above discussion leads us to the conclusion that the marketing activities on the part of agricultural cooperatives in the field of special crop production are supposed to be limited to certain varieties of primary special crops or handicrafts which are not suitable for mass quantity operation, such as ramie, flax, radix, angelica, rush products and bamboo handicrafts.

The marketing of the marine products takes place through one of three channels, the producer's site, the consumer's site, or the site of trade.

Most of transactions for the domestic marketing of marine products are taken care of by fishery cooperatives.

However, in the case of export, businessmen market products directly from the fishing grounds to foreign markets (since fishery cooperatives are not fully prepared for it) or private exporters handle the business through export cooperatives they have organised.

3.2 Status of Traditional Market

There is a traditional market existing in every small rural city in Korea.

These markets operate every five days. Since this type of markets does not open daily, farmers have to wait for the market day and supply relatively large quantities of their merchandises at once. This type of traditional market is the most important marketing place for farmers. It is the place where agricultural products can be exchanged for industrial products and living necessities.

Another important aspect of the function of these markets is that a large quantities flow into the market as a result of small amounts from ~~an~~ many producers, and thus the marketing process is improved.

Nowadays, these types of markets are spread out all over the country, and their numbers reach about 1,500.]

A question now arises as to why and how these markets were organised and developed. The reason can be attributed to the following four conditions:

- a. Poor transportation between towns and cities.
- b. Need for the facilities to collect small quantities from so many producers into large quantities.
- c. Need for the place to acquire necessary equipments and materials for the production of agricultural products as well as disposition of agricultural products.
- d. The amount of commodities which the farmers want to buy and sell was not large enough to require a daily market.]

Recently, (the significance of this type of traditional market is declining due partly to the rapid development of modern transportation which has shortened distances and improved communication and partly to the initiation of contract production schemes which coordinate and obligate both producers and manufacturers through agricultural cooperatives.

3.3 Exporting Channels for Agricultural Products

A. Process of gathering information concerning the foreign markets.

There are many ways by which information on international markets is collected. These methods are as follows:

1. Through branches and agencies of private companies set up abroad.
2. Through trading centre, commercial centre, and diplomatic and consular offices in foreign countries.
3. By sending on the spot marketing researchers.
4. Through direct contact with partner.

Information can also be gathered by indirect methods through setting up the overseas communication network and by means of proper publication.

These methods are widely utilised among many exporters and importers in Korea, but the first and third methods are regarded as the best ones. The small scale exporters mostly are in favour of second direct method, and also use analysis of publications and the communicatory system.

B. Collecting Route and agencies of exportable agricultural products.

Entire quantity of exported rice comes from stocks which were purchased from producers through agricultural cooperative system. The exportation of rice is arranged by the government appointed rice exporting societies. Nevertheless, a considerable part of the exporting process is controlled by the government. In case of chestnuts and red beans, the export of these products collected through private system is carried out by individual exporters. The same process also applies to fruit and vegetable products.

Livestock is selected for exportation through two channels: The channel of middlemen and that of livestock cooperatives. In the latter case, the actual transaction in the process of exportation is taken care of by the livestock cooperatives specially organised for this purpose.

On the other hand, in the case of special crops, every leading commodity has its own export cooperative system.

For instance, the government itself is in the charge of exportation of tobacco, and ginseng, and raw silk exports are taken care of by special cooperatives which are given special protection and assistance from the government. Plywoods are directly exported by makers themselves. Generally items, whose exportations are arranged by marketing system, are limited to those products such as bamboo handicrafts and mushrooms.

In the case of marine products, every item also has its own export system. For instance, producers of cuttlefish have their own cuttlefish cooperatives, and agar-agar and laver have their own.

C. Measures to accelerate exports

Attempts to accelerate exports have been a major activity in Korea in recent years. Broad scale preferential measures have been taken at an increasing pace in order to further export activities.

Institutional Aspect

Institutionally, the following measures were put into practice. In the first place, Korea Trade Promotion Corporation (KOTRA) was installed on a regional basis. The purpose of these trading corporations are: to conduct foreign market researches, to collect informations, and to analyse them. The data collected by the centres are sent to the home office.

Secondly, they also perform a trading function on a barter basis. In the third place, they foster the organisation of export cooperatives for individual export items for the purpose of specialising and unifying the activities of opening up of new markets. In the fourth place, they apply preferential measures to those who render important services in the opening up of new foreign market by providing them with the privileges of monopoly for the market for a year. In the fifth place, they also help producers of export commodities by reducing various public charges. In the sixth place, in order to promote the general faith in Korea products on the part of foreign customers, they create special centres where foreigners may inspect Korea export commodities.

Finance

Concerning financial aspects, firstly, credit priority is given to the exporters, and the lowest possible rate of interest is made available to them.

Secondly, in order to encourage production of export commodities, the local credit system is adopted. Thirdly, the standby credit system is also

employed for the purpose of subsidizing the activities of the overseas branch offices. Besides, various special financial supports are given to industries purposely established to engage in export activities.

Taxation

Various preferential tax measures have been adopted. Business tax is entirely exempted for exporters. Income tax and corporate tax are discounted by 50 per cent. In addition, a special export depreciation system is applied to the export industry. Among many measures for free duties, tariff reduction or exemption system, substitute customs duties exemption system and advance customs duties exemption system have been adopted.

D. Processing Technique of Agricultural Products

An important factor determining the position of any commodity in the international market is its quality, and quality depends, in part, on the technical development in processing. If the scale of export is to be expanded and developed, there must be improvement of processing techniques. So far as the export of grains, livestock, and fruits and vegetables is concerned, these items are sold in foreign markets without being processed. The level of processing technology for most products is still low. However, the processing of marine and special products has, to some extent, shown a degree of improvement. In the case of one special product, ginseng, it had been sold after being processed to some degree. Now, it is completely processed. At one time kudzu bark wallpaper went through only the initial processing procedure, but it is completely processed now. The same progress is also illustrated in the fishery industry. For instance, shrimps is being frozen and exported. The process of technical development can be seen in the following table.

TABLE XII : Technical Development of Marine Products Exported

Classification	(in percentage)		
	1963	1964	1965
Materials	70.8	63.1	68.8
Semi processed	8.0	5.5	5.7
Finished	21.2	31.4	25.5
Totals	100.0	100.0	100.0

Source: Ministry of Finance, The Yearbook of Foreign Trade Statistics, 1964-1965

4. PROBLEMS OF MARKETING CHANNELS FOR AGRICULTURAL PRODUCTS

4.1 Production

As we have seen earlier, the structure of Korean agricultural production is being transformed from a subsistence production system to a commercialized mode of production. Such transformation in the production pattern is attributed to gradual changes in demand which have been accompanied by changes in domestic and foreign consumption pattern. These phenomena of change may not be properly explained without consideration of government's influential policy measures. Since 1962, the government has encouraged industrial crops by means of contract production and a forward pricing system. In case of other exportable products, the government also has encouraged production of these goods by extending financial and technical assistance. These are the primary explanations for the increased production of sweet potatoes, grapes, peaches, tobacco, ramie, cocoon, and ginseng.

In order to improve technical methods of production, the government has continually extended its assistance to the following experimental projects--seed improvement; improvement of soil fertilization; improvement of farm operation technique; insect, pest and disease control; and improvement of cropping system.

In recent years, after the farm equipment supply plan is materialized as a part of government policy, government will take the initiative in the joint purchasing of farm equipment through agricultural cooperatives. This project will require a considerable amount of government expenditures. In the mean time, fertilizers and pesticides have also been successfully supplied through agricultural cooperatives. As a consequence, total production has been considerably increased due to the increasing amount of fertilizer used.

There has been a remarkable improvement in fisheries facilities and production. The rapid increase in the production of oyster, laver and shrimp is clear evidence of the positive government measures.

And yet, Korea's agricultural industry has chronic troubles with over-population: the per capital acreage is extremely small and consequently production is scattered all over the country in small units. The fact that Korean agricultural system is not a capital intensive, large scale production means that the cost of production is relatively high. This is one of the most disappointing aspects of Korean agriculture today. In order to improve such problems the government has been promoting an intensive production area programme which will concentrate production and reduce cost of production.

On the other hand, Korea has the advantage of low labour

cost due to over-population. However, it is also true that the advantage might be more than offset by disadvantage which arises from high production cost discussed above.

4.2 Processing

(The agricultural products processing industry in Korea has been conditioned not only by the lack of capital, small business scale, limited market, and poor processing techniques, but also by raw material shortages caused by an agricultural system concentrated on rice and barley. Therefore, the processing industry is still underdeveloped. Recently stimulation to the food processing sector has come from increasing city demand and government supported export programmes.

The slow progress in this field is largely attributed to energy deficiency, ineffective transportation facilities, and high production costs.

(In general,) an increased demand for processed agricultural products leads to development of market-oriented agricultural production and related business enterprises. Since textile, flour mill, and sugar refining, which occupy the most prominent position in the processing field, depend on foreign raw materials, they are regarded as import-depending-industry rather than domestic-production related industry. The remaining processing industries, excluding tobacco manufacturing, silk-reeling industry and bakery producing industry, show low degree of intensity, and they are scattered here and there with primitive methods of production and management.

Therefore, most agricultural products are marketed without added value resulting from processing. Recent progress in food canning, soy sauce manufacturing, ethyl alcohol manufacturing and silk reeling is the result of the development of extensive and intensive methods of agricultural production and rapid growth of consumer markets.

Recently, as an attempt to encourage the development of export and import-substituting industries for the purpose of improving balance of trade, a considerable increase in demand for processed agricultural products such as raw silk, textiles, oil and fat, ethyl alcohol and starch has appeared. There are still many problems to be solved the proper control over the supply and demand of raw materials for the processing industry, the improvement of processing technique, the creation of demand for processed agricultural products, and the high cost of energy and transportation.]

Unless these problems are successfully dealt with, the development of processing industry in Korea will be difficult.

4.3 Grading

There are many problems in grading. Until recently grading has been conducted mainly by producers through their personal experiences or by local assemblers who have their own standards. In recent years, active programmes in the field of fruit and vegetable production have been implemented to promote sales through agricultural cooperatives and aiming at the reduction of marketing cost by setting up standards according to which all farm products are graded and selected.

As an effort to meet the requirement of large scale marketing of commodities, the agricultural products inspection system was established in 1949. Even before the system was adopted, there was an imperfect inspection practice for a certain products like rice, straw-bag, cocoon, soy bean, etc., on both a local and a national scale.

The present agricultural inspection system requires compulsory inspection for the following products. They are 1) agricultural products to be purchased by the government, 2) special agricultural seeds produced in the government appointed gardens according to the Major Agricultural Seeds Law, 3) export agricultural products and processed import products, 4) agricultural products to be put into joint sale by agricultural cooperatives. In addition, when producers request it the products can be inspected. The law also requires the members of agricultural cooperatives to get their products inspected through cooperative inspection facilities when these products are to be marketed through cooperative marketing channels.

4.4 Storage

The poor storage facilities and neglected utilization of the facilities are attributable to the small scale farming system. Farmers are consuming most of their farm products and the ratio of products being commercialized is very low. In addition, total farm land is divided into many small farms and the quantity of products produced on these farms is generally so small that no special storage facilities are needed. All these things put together retarded development of storage facilities in Korea.

There are approximately 7,340 warehouses in Korea. Their total capacity is estimated at about 25,000,000 straw-bags (in terms of rice bag measurement). About 4,200 warehouses belong to agricultural cooperatives and are used for storing farm products and farm equipment and materials.

About 90 per cent of the goods to be stored are accounted for by grain products, the rest of the space is left for fertilizers, straw products, and agricultural pesticides. If these stored items are classified on the ownership basis, the most of them are government purchased rice, only small portion of them belongs to agricultural cooperatives and farmers.)

The present situation of refrigerating facilities will be

briefly discussed. There exist seventeen (17) facilities installed by livestock cooperatives to promote sales to the U.S. Army. Five other cooling facilities owned by Agricultural Cooperative Marketing Centres in major cities increase the total number of currently existing facilities in Korea. In addition, there are 96 ice-manufacturing and refrigerating facilities specially installed for marine products. Due to the character of the product itself, the popularity of the facilities is considerably great even at the retail level.

In the case of vegetables, refrigerating costs usually exceed the value of these products. Therefore, refrigeration is not so popular among vegetable dealers. Salting and drying facilities are also well employed in marine production. There are two drying methods currently employed. The one is the natural drying methods by solar heat, and the other is the artificial drying methods.

The tobacco industry is another type of farming activity in which drying is an important process of production. Nearly every producer owns drying facilities. However, even good drying facilities do not always guarantee fine quality of the finished product because poor storage facilities may cause damages.

4.5 Transportation

Generally, compared with other types of products, agricultural products have the peculiar characteristics of volumes in relation to values and bulky and easily perishable in the course of transportation.

Furthermore, since most agricultural products are scattered in small quantities throughout the country, the cost of assembling and transportation is very high. Although transportation costs more by trucks than by railroads, most of transportation is made by trucks and consequently the price of final products is much higher than it would otherwise be.

(Table 13) Status of Transportation of Agricultural Products

Year	In 1,000 metric ton							
	Railway		Motor vehicles		Ships		Total	
	No. of freight car	Commodities transported	No. of commercial trucks	Commodities transported	No. of cargo ship	Commodities transported	Number of Commodities transported	
1961	9,435	13,955	10,149	15,299	2,002	2,037	21,586	31,291
1963	10,497	18,009	10,597	24,372	1,240	2,556	22,374	44,937
1965	10,587	20,982	11,982	24,013	1,224	3,959	22,877	48,854

Source: The Bank of Korea, Economic Statistics Yearbook, 1966.

Still in Korea, the weight of transportation in the costs is considerably high and this causes both lower compensation price received by producers and higher market price paid by consumers. The Table 13 reveals the present situation of transportation in the field of agricultural industry.

4.6 Packing

Packing materials used for agricultural products vary depending on the type of product. Straw bags are used mostly for food grain products but its heavy waste is regarded as a serious shortcoming.

For this reason, agricultural cooperatives have attempted to replace straw bags with paper bags to prevent waste. Since the paper bags are not so strong as straw bags, the former is not so popular in the case of large volume packings. Wooden box has been used for the packing of fruits and vegetables, but chip boards command a great popularity for the packing of export items.

Chip boards are also commonly used for the packing of eggs, but packing by straw bags is still a common practice. In the case of the packing of marine products, vinyl bags are used to prevent infiltration of dirty particle into the products.

In foreign countries, cotton bags are widely used for the packing of food grains but they are utilized for the packing flour items in Korea.

Since vegetable products take large volume for their value, they are not usually packed. In case of long distance transportation, a simple method of straw bag packing is applied. After the government applies a definite packing standard to special commodities or export commodities, the improvement in the packing of these commodities is very striking.

4.7 Pricing

Ordinarily the markets for agricultural products are characterized by buyers' market, and this holds true particularly in case of Korea. This characteristic is accounted for by the facts that most sellers in the market are small and therefore have weak bargaining capacity, that preservation facilities are not satisfactory, that sellers are slow in obtaining adequate information concerning market conditions, and that movement of commodities are restricted due to the lack of proper transportation facilities. In such a market, therefore, it is very likely that middlemen take upper hand in the process of fixing prices.

As for marketing cost, it is 12.2% of retail price in case of rice when the rice is put into market through ordinary

channels. In case the rice is marketed through cooperative channels, the marketing cost is 7.7% of retail price. This means that the farm households receive 87.8% of the retail price in the former case whereas in the latter case they receive 92.3%, a higher profit to the producer farm households.

In the case of apple, the marketing costs 44.2% and 41.3% of retail price respectively in case of ordinary channelling and cooperative channelling.

What elements comprise the marketing cost? As for rice, commission or profit of middlemen composes 6.1% and transportation costs compose 3.5%. In the case of apple, the profit of middlemen is 25.2%, packing charges, 12.9% and transportation cost, 6.0%.

Both in cases of rice and apple, the middlemen's profit is the major element of marketing cost. This implies that merchants play very important role in the determination of the price of farm products. This further implies that the participation of agricultural cooperatives in marketing process can benefit farm households to a significant degree, provided that the agricultural cooperatives perform more efficiently than the traditional middlemen.

5. THE POSITION AND CAPABILITY OF AGRICULTURAL COOPERATIVES IN THE MARKETING FUNCTION OF AGRICULTURAL PRODUCTS

5.1 Accomplishments of Agricultural Cooperatives in Marketing Activities

Agricultural cooperatives have achieved striking progress in marketing activities since 1962 by transforming itself into a gigantic scale multi-purpose agricultural cooperative federations thereby contributing greatly in the promotion of farm income. The total amounts of products handled through the cooperatives in 1962 and in 1965 give evidence of this progress. In 1962 the total amount was 9,159 thousand U.S. dollars equivalent whereas in 1965 it was no less than 51,951 thousand U.S. dollars, an increase of 5.7 times.

The volume of sales through the cooperatives in 1965 can be broken down into the following categories:

	<u>In metric ton</u>	<u>In thousand U.S. dollars</u>
Grains	189,898	27,438
Fruits	34,735	2,356
Vegetables	65,891	1,647
Livestocks		356

To be more specific, major items include such food products as rice, barley, soy bean, red bean, sweet potatoes, and white potatoes; and industrial raw materials such as cocoon, cotton, ramie, flax, rape, and castor beans. Livestock products include cows and pigs as leading items. As for fruits, major items are apples, pears, persimmons and grapes. Almost all kinds of vegetables were included. Besides these agricultural products, the cooperatives also have handled handicraft such as bamboo handicrafts, rush articles, and special fruits amounting to 350 thousand U.S. dollars in value.

(Table 14) The Ratio of Commodity Commercialization by Agricultural Cooperative to the Total Agricultural Products Commercialization

(In percentage)

Item	1963		1964		1965	
	Total	Agr. Coop.	Total	Agr. Coop.	Total	Agr. Coop.
Rice	36.2	1.4	47.8	2.8	49.9	6.2
Apple	96.1	30.4	99.0	37.0	99.2	39.3
White potato	11.0	1.1	18.1	0.3	26.8	1.4
Sweet potato	29.0	10.1	38.5	12.2	44.5	15.9
Peanut	47.5	2.9	53.8	3.4	32.2	2.4
Cotton	75.0	1.6	66.0	1.9	55.1	0.01
Rape	95.0	5.9	94.0	12.2	94.0	24.1
Flax	100.0	86.6	100.0	98.9	100.0	94.9
Corn	--	--	56.0	4.7	64.5	13.6
Soy Bean	19.7	0.6	33.0	4.7	27.9	0.7
Red Bean	11.1	0.1	20.2	0.7	30.1	1.0

Source: NACF, A Survey Report on Marketing and Purchasing Conditions of Farm Household, 1963-1965.
The Report on the Production Cost and Income of Cash Crops 1963-1965.

The above table clarifies the importance of the agricultural cooperative in the course of commercialization of agricultural products. It is also clear from the table that the amount of products handled through the cooperative has been increasing year by year.

Finally, let us turn our attention to the trading activities of the cooperative. In the field of export, the agricultural coopera-

tive succeeded in exporting rush slippers to Hawaii for the first time in 1962 acquiring 432 U.S. dollars. In 1963 and 1964, however, no export has been achieved through the agricultural cooperative. In 1965, the agricultural cooperative succeeded in exporting 35 M/T of red beans, equivalent to 9,170 U.S. dollars, to Japan. This might give an impression that the trading activities of the agricultural cooperative have not been vigorous. However, if we take the function of the agricultural cooperative in assembling such exportable major agricultural products as cows, pigs, and apples into consideration, we can hardly deny the importance of the agricultural cooperative in promotion of foreign trade. In other words, the agricultural cooperative has not directly contributed much to the actual foreign trade, but it has accomplished a great deal in promoting foreign trade in a round-about way.

In the field of import, the agricultural cooperative imported agricultural chemicals, feed stuffs, farm implements, milk cows, vegetable seeds in the amount of 7,326 thousand U.S. dollars equivalent in 1963, 1,500 thousand U.S. dollars equivalent in 1964, and 867 thousand U.S. dollars equivalent in 1965.

There is no legal restriction binding the agricultural cooperative from participating in foreign trade. However, it has failed in accomplishing noteworthy results in foreign trade. What are the reason?

Firstly, the agricultural cooperative has to compete with commercial trading business in dealing with tradeable agricultural products, and the agricultural cooperative runs behind those tradesmen in its professional trading skills.

Secondly, the government has been reluctant to give active support to the agricultural cooperative in trading activities with the eye to encouraging the development of professional traders.

Thirdly, the government tends to encourage the cooperative to open new markets and new commodities which have not hitherto been touched by existing traders. However, it has not been easy for the agricultural cooperative to do so due to the lack of information channels regarding foreign markets.

5.2 Agricultural Cooperative as the Leading Body of Cooperative Trade

The potentiality for trade of the Korean agricultural cooperative is to be developed. The nationwide network, quality personnel, and various facilities of the organization can expand future trade. It is not an exaggeration to say that there is no other institution in Korea at present to compare with agricultural cooperative in this field. It is, therefore, clear that the agric-

cultural cooperative will be developed to become leading body of cooperative trade shall be assured.

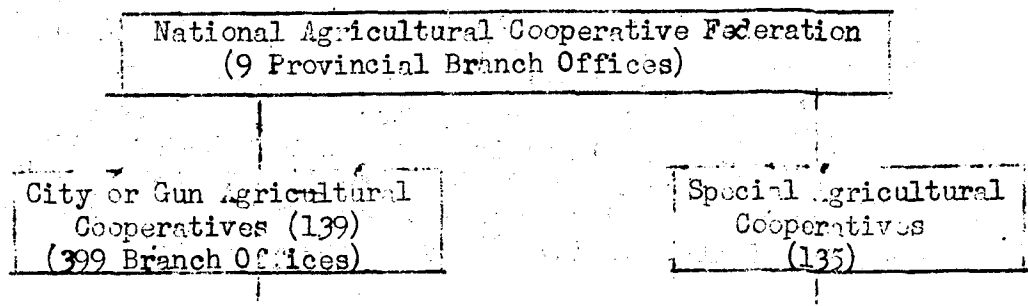
1) Organizational Network

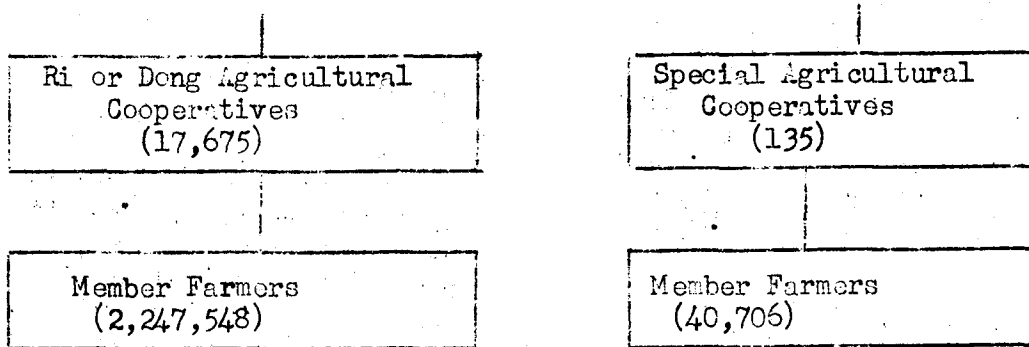
The system of Korean agricultural cooperative is formed in the following manner: On the bottom of its hierarchy there is a primary level of unit organizations, the Ri or Dong (village) agricultural cooperatives composed of farmer members. These village units form the City or Gun (city or county level) agricultural cooperatives and special agricultural cooperatives. The City or Gun agricultural cooperatives form the National Agricultural Cooperative Federation (NACF). In other words, the agricultural cooperative is a three stage system composed of Ri or Dong agricultural cooperatives, City or Gun agricultural cooperatives, and the Federation.

In parallel to this line of hierarchy, there is another line of hierarchy for special cooperatives. Special agricultural cooperatives are established for farm households which produce livestock products, special agricultural products, and fruits, and the members of these cooperatives are entitled to associate membership in City or Gun agricultural cooperatives as well as the full membership of the National Federation. By 1966 (as of June) 7,548 members have joined Ri or Dong agricultural cooperatives including almost 93% of the total farm households. The total number of the Ri or Dong agricultural cooperatives reaches 17,675 and all of these participate in City or Gun agricultural cooperatives.

There are 139 City or Gun agricultural cooperatives and 135 special agricultural cooperatives, which are united into one National Agricultural Cooperative Federation. The Federation has nine branch offices in appropriate localities throughout the country. To put it in other way, the system of Korean Agricultural Cooperative covers all parts of Korea under a unified organizational system, and this means that the agricultural cooperative is the largest nationwide economic body equipped with systematic hierarchy in Korea.

Chart 1. The Hierarchy of Korean Agricultural Cooperative
(As of the end of June 1966)





Source: The Research Department of NACF.

2) Personnel

The number of personnel engaged in the activities of the agricultural cooperatives is about ten thousand in total. All of them are graduates of either colleges or high schools, and there are quite a few with higher academic background. Besides, there is an education centre for the personnel of the agricultural cooperatives through which various kinds of education is provided for the improvement of the quality of the personnel and the distribution of knowledge concerning trade business.

In addition, opportunities are open for further education by sending employees to regular educational institutions both at home and abroad. Since 1961, more than 700 trainees were sent to domestic educational institutions and more than hundred persons were sent abroad. Education in foreign countries particularly contributes to the improvement of knowledge concerning foreign trade.

Personnel of trade section are composed of those who have professional knowledge about trading.

3) Facilities

All levels of agricultural cooperatives maintain various kinds of facilities. As is shown in the following table, the agricultural cooperatives maintain 52.5% of total warehouses available in Korea and more than 100 trucks for transportation. Besides these, the agricultural cooperatives possess 3,100 rice polishing plants for grain products, four (4) fertilizer mixing plants, eight (8) feed grain mixing plants, 22 refrigerating facilities (17 of which belong to livestock cooperatives and the other five (5) to cooperative marketing centers), five (5) rabbit fur processing plants, and (5) milk processing plants.

(Table 15) Status of Warehouses in Korea.

<u>By owner</u>	<u>No. of warehouses</u>	<u>No. of Pyong 1)</u>	<u>Capacity in terms of straw-bag</u>
Agricultural Cooperatives	4,693	170,510	13,233,829
Commercial	1,695	117,994	9,439,520
Public & Others	952	31,376	2,510,080
<u>Total</u>	<u>7,240</u>	<u>319,880</u>	<u>25,183,429</u>

Note: 1) Pyong is equivalent to 3.3058 square meters.

Source: The Research Department of NACF, Korean Agricultural Products Market System, 1955, p. 340

(Table 16) Processing and Utilization Facilities

<u>Classification</u>	<u>NACF</u>	<u>Gun Coop.</u>	<u>Spl. Coop.</u>	<u>Ri or Dong Coop.</u>	<u>Total</u>
Fertilizer mixing plant	4	-	-	-	4
Feed grain mixing plant	1	-	7	-	8
Artificial insemination center	1	-	-	-	1
Cool storage	5	-	17	-	22
Rice mill	-	9	-	3,138	3,147
Rabbit fur processing plant	-	-	5	-	5
Milk processing plant	-	-	5	-	5
Generators of electric powers	-	-	-	87	87

Source: NACF, Annual Report, 1965, pp. 56-60.

4) Capital

Few business firms manipulate larger capital than the agricultural cooperatives. In the budget of agricultural cooperatives in 1965, 76 million and 100 million in U.S. dollars have been appropriated for purchasing and marketing activities of NACF respec-

tively. Furthermore, the agricultural cooperatives receive commodities on entrusted marketing bases, thereby reduces the burdens for funds.

6. PROPOSALS TO THE INTERNATIONAL COOPERATIVE ALLIANCE

In the above, we have discussed the present situation of agricultural products and the problems of marketing and exporting of the agricultural products in an effort to clarify the position and ability of the Korean agricultural cooperatives. As is already mentioned in the introduction, the purpose of this discussion is to help promote understanding among the agricultural cooperatives in the South-East Asian countries for increased mutual trade. Without proper understanding of the conditions of other countries, it is nearly impossible to develop cooperative trade.

Korea learned the above lesson through experience. For instance, Korea and Japan agreed on the contract cultivation of various farm products after reestablishing normal contact with each other in 1965. Conclusion of such contract between the two countries was possible thanks to better mutual understanding of two countries due to geographic propinquity.

(Table 17) The Contents of the Contracted Cultivation of Agricultural Products between Korea and Japan

<u>Item</u>	<u>Quantity</u>	<u>Amount</u>	<u>Period</u>	<u>Cultivation Area</u>	<u>Contracted Japanese Company</u>
Corn	Total products M/T	...US \$	1 year	6 chongbo ¹⁾	Okureru Agricultural Coop. Federation
Corn	60 M/T	7,999.80	"	4 "	Dakii Co.
Kidney bean	8,000 Ltr.	2,000.00	"	4 "	"
Red pepper seed	200,000 lbs.	36,000	"	20 "	Kakudani Co.
Calabash	112,500 kg	67,500	"	30 "	Doshoku Co.
Tulip	50,000 bulb	35,200	5 years	1 "	Dakii Co.

Note: 1) chongbo is equivalent to 0.99174 ha.

Source: The Research Department of NACF, Agricultural Products Marketing, vol. IX; p.9.

In consideration of such experience, we would like to propose here the following points to I.C.A. in the hope that the world organization puts them into effect with sincerity.

- 6.1 It is proposed that I.C.A. establishes information center in its Regional Office. Through such a center, more accurate information concerning the conditions of member countries will be exchanged in a more efficient way. Information center can accomplish these ends by collecting informations and by publishing and distributing journals and directories.
- 6.2 The I.C.A. should take the responsibility for arranging the exchange of techniques. The production, processing and trading of agricultural products are generally accompanied by technical difficulties. The I.C.A. is in an ideal position to arrange the mutual exchange of techniques among the member countries and to introduce techniques and products between countries, developed and developing.
- 6.3 The I.C.A. is hoped to conduct training and seminar courses devoted to the understanding of trading practices of member countries and provide the services of trade experts.
- 6.4 The I.C.A. can devise measures of financial support. The capital for such financial support might be available by imposing certain fees on the member countries.
- 6.5 One of the major stumbling blocks in the trading of agricultural products is the problem of standardization in grading and packing of exportable items. It is, therefore, requested that I.C.A. initiates and develops measures toward regional standardization. Success in standardization in the Region will easily lead to worldwide standardization.
- 6.6 We propose that I.C.A. takes measures to create an atmosphere for better understanding and cooperation among the member countries in this new avenues just explored at this Conference.

Background Paper

SOME ASPECTS OF COOPERATIVE MARKETING IN SINGAPORE

by

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Experts' Conference on "Cooperative Marketing"

15 - 21 January, 1967, New Delhi.India.

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SOME ASPECTS OF COOPERATIVE MARKETING IN SINGAPORE

Singapore's Cooperative movement was initiated in 1925. It was created to meet a pressing problem - that of indebtedness among wage-earners employed in established organisations. So the cooperative approach of self-help was introduced, and within a few years this idea of cooperative self-help began to take concrete shape, and the middle and lower income groups were convinced that this was the only way in which they could help themselves, and at the same time protect themselves against their exploiters.

The success of the Thrift and Loan Cooperative Societies has given an impetus for other branches of Cooperative Societies to take shape. It may be relevant to mention here that the Singapore Cooperative Movement has now to its credit some forty million dollars as its savings. And with all this large sum of money, it was only natural that we should venture into other fields. The first thing that occurred to us was Housing; to build cheap houses for our members, and this was followed by Cooperative shops or Consumer shops as they are called, but these have not met with much success. On the other hand, the housing society has been most successful, and special praise should be given to the Singapore Government officers' Cooperative Housing Society which is considered the leading and foremost Cooperative Housing Society in the Far East. It has several estates with hundred of units of houses which belong to their members. These houses are obtainable to members at reasonable and far below market prices.

Next we went in for insurance - life insurance, and this particular Society which caters for Singapore and Malaysia with

its headquarters in Kuala Lumpur (West Malaysia), is doing very well indeed.

We went further afield and tried to channel cooperative money for cooperative enterprises; we created the Singapore Cooperative Bank, principally to channel cooperative monies for cooperative use. Societies have their individual surpluses and instead of putting them into commercial banks we endeavoured to get them into our bank - the Cooperative Bank, for the use of the whole of the cooperative movement, but, I am not happy here, because recently the Finance companies and generally the money market in Singapore are offering very high rates of interest, and I am sorry to say that some of our Cooperative Societies are being attracted by these high rates of interest and getting away from us.

2. Singapore by its natural position in South-East Asia is well-known as a trading centre. It was not very long ago when Singapore was a British Colony and its position as a free - port was not conducive for Cooperative Marketing. However, with the independence of Singapore just a year ago, it has many problems such as international trade and domestic trade. On the international trade it wishes to serve as a trading Centre and export its goods from its industrial projects. On the domestic market, the greater portion of the population need goods that are within their means of income. And in this sector, Cooperative Marketing Societies have a valuable part to play, and our movement is anxious to learn from the Experts' Conference on Cooperative Marketing some useful ideas and suggestions for developing the Cooperative Marketing Societies in Singapore.

Recent discussions among the Cooperative Movements in Singapore have been for more active participation in marketing, and creating trading societies. It is felt that to be successful, the cooperation of Governments, business organisations and trade unions should be sought to make a successful start in cooperative marketing. Needless to say, the greatest draw-back in marketing is in respect of credit facilities and the ability to find ways and means to get back the money given out in the form of commodities.

3. (a) Therefore in order to boost up Cooperative Marketing, it is important that some kind of arrangement should be made with the government, business organisations and trade unions, etc., to deduct fixed amounts of the pay of the members to provide credit facilities to those who are members of the Cooperative trading societies.

(b) It should be the aim of these cooperative marketing Societies to sell goods at 20% below prevailing prices. This can be brought about by self-service sales, wholesale purchases, etc., thereby cutting overhead charges to reduce the retail sales prices down.

(c) It is well known that the price of a commodity is highest at the consumers' end. Therefore, removing the overhead charges created by the middlemen and superfluous employees, to perform the sales, must be cut down as much as is consistent with efficiency.

(d) Competition with existing established trading houses is bound to occur. However, cooperative trading societies should aim at selling at 20 to 25% below prevailing prices, and the goods must be of good quality. One has only to observe the large crowds that are drawn at auctions and cheap sales which serve one as an eye - opener

to what reduced prices can do.

(e) The biggest problem facing trading is the credit system and the ability to collect the money for the goods sold on credit. Here new methods and ideas are to be explored to make Cooperative trading societies a paying concern.

(f) One of the methods stated above, is that the assistance of big and small employers of organisations should be sought to deduct a fixed amount monthly from the wages of their employees to pay off for the credits obtained by their employees, from the cooperative trading stores.

(g) The main base of operation is the distribution at the retailer's end; failure to pay due attention to this aspect of the business may result in poor sales and in going back to the old order provided by middlemen and hawkers.

(h) Wholesale purchases from the source of production needs hard thinking for the time being. For a start, wholesalers at present operating should not be antagonised, thereby, making cooperative marketing's entry into the business field more difficult. A forward step would be to cooperate with the wholesalers by obtaining the best discounts and direct sales. Furthermore, wholesale enterprises being governed mostly by political and economic policies are fields where cooperative marketing societies in Asia should not get involved at this stage of their development.

In conclusion, it is my considered opinion that cooperative

marketing has a great future and may well contribute to the welfare of the peoples of this region and further help in stabilising of prices of essential commodities, which will be a great boon to the Asian populations and their governments. And in this context, cooperative marketing societies have a valuable part to play, and in this connection, the cooperative movement of Singapore is anxious to learn from this conference some useful ideas and suggestions for developing cooperative marketing societies in Singapore.

Background Paper

THE PRESENT POSITION
OF AGRICULTURAL COOPERATIVE MARKETING IN THAILAND

by

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THE PRESENT POSITION OF AGRICULTURAL COOPERATIVE MARKETING IN THAILAND

Historical background

The first five paddy marketing cooperative societies on limited liability basis were organised in 1938, even though seed of cooperation was planted in Thailand in 1916. The government took the initiative by inducing farmers to adopt a cooperative marketing system, through which their paddy was sold, as a means of protecting their own interest. It was known then that, farmers, in various ways, were exploited by the local middlemen so that it was not possible for them to get a fair share of their sales. The Government provided storage to the societies on a hire-purchasing basis. Operating fund was loaned by the same source. Also in the field of managerial assistance and membership education, the Government extended help by providing close supervision. Since then, operating in a more competing position, the cooperatives have enjoyed more power in price bargaining. Not only cooperative members, but the community as a whole have derived benefits from this. Farmers' income has to a certain extent increased.

As the cooperative marketing system achieved success, more societies were organised in various parts of the country, ranging from paddy cooperatives to those handling coconut, kenaf, fish, livestock, salt and other farm products. The majority of them however were paddy marketing cooperatives, including 2 regional federations with milling facilities which were later organised. It was a step forward in building their own marketing channel. By the end of 1966 there were a total of 146 primary marketing societies and 7 secondaries.

The present situation

Until recently, all marketing cooperative societies handled only one commodity and the majority of them conducted their business on a seasonal basis. Few marketing societies employed managers. In most cases, during the business season, their directors performed this function. The markets, for products such as paddy and farm crop, were mostly confined to the local area, except for those societies in the regions where federations existed. Efforts were made to bring paddy and farm crops to the Bangkok central market, but this failed, due to managerial inefficiency. Salt has been exported to Japan. Fishes are sold in the Bangkok auction market. Since the Bangkok terminal market is within reach, the Kenaf marketing society uses the terminal market rather than local markets.

Competition between marketing cooperative societies and local middlemen has been keen. Cooperatives themselves obtaining no special marketing privilege, must work hard to stay in business. Approximately 44 societies failed because of insufficient volume of business to cover expenses and inefficient management. This was due to a very hasty expansion of societies during some period and it was done without having adequate knowledge in business. Moreover, they were small-size societies. Only the believe in cooperation is not enough in making cooperative successful. Measures have been used to improve the existing societies. Many societies adopted multiple functions and handle various kinds of farm products so as to increase business volume and to render better services to members. They extend loans for production and harvesting purposes to members. Services of supplying of chemical

fertilizer and insecticides through marketing cooperative are given. It has been realized that as marketing cooperatives extend more and better services, to members, they receive from members a corresponding increase in loyalty.

It was in 1963 that, international cooperative trade between Thailand and Japan started. This has been a turning point in marketing cooperative development in Thailand. Thanks to the Purchasing Federation of Agricultural Cooperative Associations of Japan (ZENKOREN). Cooperatives of Japan and Thailand have established cooperative trade relations. It started with maize transactions. The Bangkok Farm Product Marketing Society Limited has acted as agent of local marketing cooperative societies in the exporting business. In 1964 the Joint Committee for Promotion of Cooperative Trade of both parties was established. Two conferences were conducted in Thailand and Japan alternately and mutual trade-cum-aid agreements were reached.

The international trade between cooperatives has proved mutually beneficial. It has built cooperatives' own trade channels through which profit-seeking middlemen can possibly be eliminated and producers can obtain a fair share of the income for their crop. Trade between Thailand and Japanese cooperatives has expanded accordingly both in volume and in kinds. The Bangkok Farm Product Marketing Society Ltd. also exports bean and sorgum in addition to maize. The total export of maize in 1966 was M/T 53,061. It is 84.68% increasing from that in 1963. In 1965, some primary marketing societies, selling maize through Bangkok Cooperative Farm Product Marketing Society Ltd., got the price up to 21.92% higher than the local market price. It is now exploring the possibility of exporting other crops. A plan has been worked out to import agricultural equipment, chemical fertilizer and other farm supplies.

Problems and development

There are problems in the movement. The following are a few of them which we are solving.

1. A marketing cooperative society is a business organisation which operates competitively with private middlemen. An efficient managerial staff in the society at every level is needed. This is also a key factor to gain members' loyalty. More effective training of personnel in this field is being undertaken.
2. The importance of an integrated structure in the movement is appreciated. Locally, multiple functions are adopted by many marketing societies, in order to improve marketing cooperatives both in services and in economical business operation. A large-size local marketing society is now recommended. The National Marketing and Supply Federation of Agricultural Cooperative Societies is being organised at the national level to work in coordination with local marketing societies. Thus the cooperatives are establishing their own integrated trade channels, which in turn will assure the strength and continuity of marketing cooperatives.
3. Local leaders are needed for the developing cooperative movement. Education is carried on in many ways by the Government. The Ministry of National Development has set up a Cooperative Education and Training Centre in Bangkok. The main aim of the Centre is to provide training for directors and managers of cooperative organisations and cooperative officials. The curriculum of the Centre will be set up in accordance with the needs and background of particular group of trainees. Besides, nine mobile training units were set up and work in various parts of the country. The purpose is to promote cooperative knowledge and

spirit among cooperative members and other farmers in the rural areas. The Cooperative Union of Thailand limited is being organised. The function of cooperative education and promoting cooperative movement shall be later on conducted by this organisation. In Thailand marketing cooperatives are regarded as an effective means of achieving the nation's economic development. Government support to cooperatives in the managerial field and in financing is indispensable, until the movement has grown up to the point where producer members can take responsibility for it by themselves.

Background Paper

A NOTE ON COOPERATIVE PROCESSING IN SOUTH-EAST ASIA

Compiled by :- Mr.J.M. Rana & Dr. P.R. Baichwal
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(Submitted at the Regional Seminar on "How to Establish
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CEYLON

1. Present Position : 1966

Number of Processing Societies

Type of Cooperative Processing Societies	Number
1.1 Primary Cooperative Processing Societies	65
1.2 Regional Cooperative Processing Societies	Nil
1.3 National Processing Societies	2
1.4 Number of total marketing societies undertaking processing activities	67

Sl No	Name of commodity being processed	Total capital of all coop processing societies	Value of commodity processed
1	Coconut	6,939,887	10,741,604
2	Tobacco	1,715,433	1,750,000
3	Tea	1,391,825	2,228,800
4	Rubber	58,099	469,963

2. Role of Government Coop Department : The Cooperative Department provides for the supervision and audit of the societies.

3. Role of the National Agricultural Marketing Processing Organisation :

In the case of Ceylon Coconut Societies Union Ltd., coconut oil manufactured in the mills owned by the Union and the primary societies is marketed among the cooperative societies by the Union. Desiccated coconut produced in the mills owned by the Union is exported. In the case of Agricultural Producers Union, besides marketing of vegetables supplied to the Union by the Societies, the Union is also selling vegetables packed in polythene bags either directly or through the cooperative societies to consumers.

Ceylon (contd.)

4. Other Government Departments and Research Bodies assisting the development of Cooperative Processing :

Coconut and Rubber Rehabilitation Department
Tobacco Officers Department
Coconut Board
The Coconut Research Institute.

5. Future Plans for Development

Processing of vegetables, fruits and rubber.

INDIA

1. Present Position - 1963-64

Number of Processing Societies :

Sl. No.	Type of Processing Societies	Primary		Regional	National
		No. of socys.	No. Actually working		
1.	Cooperative Sugar Factories	68	48	7	1
2.	Cooperative Spinning Mills	47	47	-	1
3.	Coop Cotton Ginning and Pressing Societies	151	97	-	-
4.	Paddy husking societies (excluding rice mills)	1682 ^a	1045	2	-
5.	Cooperative Rice Mills	58	34	-	-
6.	Coop Oil crushing societies	3381 ^{aa}	1913	8	-
7.	Coop Fruit and vegetable processing	27	10	-	-
8.	Other Cooperative Agricultural processing societies	4894	2908	17	-
Total		10308	6102	34	2 §

^a Includes hand pounding societies.

^{aa} Includes Ghani Societies

§ Excludes the National Agricultural Cooperative Marketing Federation

Number of Marketing Societies undertaking processing:

a. Cotton ginning and pressing	51
b. Paddy processing	84
c. Oil seeds processing	42
d. Fruit and vegetable processing socys.	4
e. Coconut	7
f. Others	36
	<u>224</u>

INDIA (contd.)

(Rupees in crores)

Sl. No.	Name of Commodity being processed	Total capital of all processing societies as on 30.6.64	Value of commodity processed (During 1963-64)	Value of sales
1.	Sugarcane	40.59	64.70	-
2.	Cotton	9.63	n.a.	25.73
3.	Paddy	3.37	n.a.	15.15
4.	Oil seeds			
5.	Fruits and vegetables			
6.	Others			

2. Role of Government

i. Cooperative departments, in consultation with agricultural departments draw up plans and schemes for developing cooperative agricultural processing.

ii. The State Government provides financial assistance to cooperatives in the form of share capital contribution towards block capital cost of the processing units, managerial subsidy and loans and subsidies for construction of godowns. The Central Government, in turn, provides assistance to state governments towards a bulk of the assistance provided by the State Governments to the processing cooperatives.

iii Cooperative Departments of State Governments are also engaged in general supervision, promotion and audit of cooperative processing.

iv. The State and Central Government provide guarantee for loans obtained by the processing cooperatives from State Finance Corporation/Industrial Finance Corporation for meeting their block capital needs.

v. State/Central Governments have undertaken various promotional activities for development of cooperative processing such as :

- a. Provision of technical know-how
- b. Planning establishment of processing units under normal development plans programme.
- c. Preparation of model schemes for different types of processing activities.
- d. Tax concessions.
- e. Giving preference in the matter of licensing.
- f. Securing aid, both technical and financial, from foreign cooperatives.

vi. Most of the State Governments have constituted state level bodies for giving guidance and help to the state governments for preparation of annual plans, advice on optimum size, financial structure.

INDIA (contd.)

3. Role of the National Agricultural Marketing/Processing Organisations :

There are national federations of cooperative sugar factories and cooperative spinning mills. For other agricultural processing societies, there are no separate national federations and the National Agricultural Cooperative Marketing Federation Ltd, New Delhi, undertakes coordination, promotion, etc. of these societies.

4. Other Government Departments and Research Bodies assisting the development of Cooperative Processing

- i. The Agricultural Marketing Adviser to the Government of India, Nagpur.
- ii. Development Councils set up by the Government of India for various commodities/groups of commodities.
- iii. Directorate General of Technical Development, New Delhi.
- iv. Directorate of Sugar and Vanaspati, New Delhi.
- v. Central Food Technological Research Institute, Mysore.
- vi. Regional Research Laboratory, Anantapur. Andhra Pradesh.

5. Future Plans for Development :

- a. Cotton : Primary and Secondary Processing
- b. Oilseeds - primary and secondary processing
- c. Paddy - with modern techniques of processing
- d. Sugarcane - with establishment of by product industries.
- e. Fruits and vegetables (large and medium size processing units)
- f. Jute

JAPAN

1. Present Position : 1965

In Japan there are no specialised cooperative processing societies. Processing is undertaken as a part of the business of the multipurpose agricultural cooperatives or single-purpose agricultural cooperatives. The nature and number of societies engaged in cooperative processing in 1965 are indicated below :

		No.
Local Level :	No. of processing plants of Multi-purpose Agricultural Coops.	877
	No. of processing plants of Single-purpose Agricultural Coops	145
Regional Level :	No. of processing plants of prefectural economic federation of agricultural coops	26
National Level :	No. of processing plants of national marketing federation of agricultural cooperatives	43
Total	Includes processing societies (not coops)	1200
	Invested capital by agricultural coops	53
	Processing companies which have been independent from agrl. coops	48
	Others	8

JAPAN (contd.)

The processing activities cover products such as meat, milk products, canning, spices, wines, starch processing etc. Some of these societies are also engaged in other activities such as wood processing, potteries, chemicals manufacturing of straw goods and agricultural implements.

2. Role of Government :

Agricultural Cooperative Section, one of the departments of the Ministry of Agriculture and Forestry, promotes and provides guidance and supervision to agricultural cooperatives engaged in processing. They also undertake surveys and research studies for the development of processing schemes.

3. Role of National Agricultural/Marketing/Processing Organisations:

The Federation supplies equipment to societies undertaking processing and also provides technical guidance in processing business. Wherever necessary it also helps the primaries through undertaking management of cooperatives.

4. Other Government Departments and Research Bodies assisting the development of cooperative processing :

- i. Statistical Department of the Ministry of Agriculture and Forestry
- ii. Business Department of Food Agency of Livestock Department
- iii. Extension Department of Ministry of Agriculture and Forestry
- iv. National Experimental Stations located in all the Prefectures.

KOREA, REPUBLIC OFPresent Position : 1966

Data on the nature and number of processing societies for the year 1966 are indicated below :

<u>Types of Cooperative Processing Societies</u>	<u>No.</u>
Primary Cooperative Processing Societies	Rice 3,000
Regional Cooperative Processing Societies	Mixed Fer-tilizer 3
	Panama hat 1
	Rice 9
	Starch 3 16
National Processing Societies	Compound
	Feeds 1
	Mixed Fer-tilisers 4 5
No. of total marketing societies undertaking processing activities	Compound seeds 3
	Panama hat 1
	Rice 9
	Starch 3 16

NB : Cooperative System in Korea is multi-purpose cooperative handling marketing, purchasing, credit, insurance, and utilisation and processing business.

KOREA (contd.)2. Role of Government :

Government provides funds in the form of loans and subsidies and also the required technical assistance. A number of government departments play an important role in the development of cooperative processing. These departments are : Office of the Rural Development, the Inspection Office of Agricultural Products, the Economic Planning Board and the Ministry of Finance.

3. Role of National Agricultural Marketing/Processing Organisations

The National Agricultural Marketing Processing Association provides guidance to cooperatives engaged in processing and also assists them in expanding the marketing outlets for the processed products.

4. Future Plans for Development

The country has plans to develop other cooperative processing societies. They relate to fruits, vegetables, rice, dairy products etc.

MALAYSIA1. Present Position : 1966

Number of Processing Societies :

Types of Cooperative Processing Societies	Number
Primary Cooperative Processing Societies	389
Regional Cooperative Processing Societies	11
National Processing Societies	1
Number of total marketing societies undertaking processing activities	31

Sl No.	Name of commodity being processed	Total capital of all coop. processing societies	Value of commodity processed
	Paddy	M \$ 8,134,624	Not available
	Rubber	295,853	" "
	Coffee	71,076	" "
	Copra	2,294	" "

2. Role of Government

The functions of the Department of Cooperative Development in the Ministry of Agriculture and Cooperatives in relation to the development of activities in processing of agricultural commodities includes:-

MALAYSIA (contd.)

- a. extension of paddy processing and marketing schemes and the establishment of large and upto-date rice mills.
- b. improvement and further extension of the scheme for the marketing of rubber, copra, poultry, vegetables, and pineapple.

3. Role of National Agricultural Marketing/Processing Organisations

There is no national agricultural marketing/processing union as such. The only society operating on a national basis deals with the manufacture of paper from paddy straw and other raw materials.

4. Other Government Departments and Research Bodies assisting the development of cooperative processing :

- i. Rubber Research Institute
- ii. Division of Agriculture, Ministry of Agriculture and Cooperatives
- iii. Federal Agricultural Marketing Authority
- iv. Malayan Pineapple Industry Board.

5. Future Plans of Development

Paddy, Rubber, Copra, Coffee.

NEPAL

A few oil pressing and paddy husking plants have recently been installed in the cooperative sector. These are mostly undertaken by the Cooperative Marketing Unions. The value of the goods processed by these societies is reported to be very small.

PHILIPPINES

Present Position : 1966

Number of Processing Societies

Types of Cooperative Processing Societies	Number
Primary Cooperative Processing Societies	141
Regional Cooperative Processing Societies	7
National Processing Societies	1
Number of total marketing societies undertaking processing activities	149

Sl. No.	Name of Commodity being processed	Total capital of all coop processing	Value of commodity processed
1.	Rice (milling)	₱ 2,151,331.80	₱ 349,499.20
2.	Rice (milling)	38,871.80	56,036.32
3.	Sugar (processing)	1,887,213.73	7,596,726.59
4.	Tobacco (redrying)	985,800.00	12,600,000.00

PHILIPPINES (contd)2. Role of the Government

1. Financial assistance through loans.
2. Management services
3. Conduct seminars and discussion groups
4. Education and information campaigns
5. research.

3. Role of National Agricultural Marketing/Processing Organisations

1. Marketing
2. Storage
3. Distribution

4. Other Government Departments/Research Bodies assisting the development of cooperative Processing :

1. Agricultural Credit Administration
2. Agricultural Credit and Cooperative Institute
3. Agricultural Productivity Commission
4. Central Cooperative Educational Board
5. Cooperative Administration Office
6. Philippine National Cooperative Bank

5. Future Plans of Development

Through Coops : Foodgrains, Fish (canning), Fruits, Vegetables, Meat & Meat products, corn etc.

Through others: Fertilizers, insecticides, Meat and Meat products etc

THAILAND1. Present Position : 1964 - 65

There are two paddy milling cooperative societies, one at the regional level and the other at the national level. During the year 1964-65, they milled 8,300 metric tons of paddy.

2. Role of Government

Government provides assistance in the following ways :

- i. Grant of facility loans and part of working capital
- ii. Technical assistance
- iii. Supervision and training of personnel.

3. Other Government Departments / Research Bodies assisting the development of cooperative processing

Department of Industrial Promotion

4. Development Plans

Plans are being formulated for the development of cooperative processing of Maize, sorgum, castor bean and peanuts.

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REVIEW OF AGRICULTURAL COOPERATIVE MARKETING SITUATION
IN THE REGION OF SOUTH-EAST ASIA

by

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SITUATION IN THE REGION OF SOUTH-EAST ASIA.

Dr.P.R. Baichwal
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INTRODUCTION:

In the countries of South-East Asia, agricultural cooperatives have now existed for varying lengths of time. The cooperative movement is diversified in different fields of the agrarian economy and the movement now covers aspects such as provision of credit, supply of occupational requirements to farmers, marketing of agricultural produce, processing, irrigation etc. In many countries, specialised cooperatives have been organised to undertake different functions. In others, several functions are combined at the primary or local level in one society. Federation of cooperatives at different levels have also been organised. The movement in the field of marketing of agricultural produce is comparatively of recent growth and the progress of cooperative marketing societies in respect of different commodities in all countries is not even.

COOPERATIVE MARKETING LEGISLATION

At the outset it may be pointed out that in many countries of this Region, the idea of cooperation was introduced to deal with the problem of agricultural indebtedness. In the beginning of the present century, agricultural indebtedness had become a major problem and it was thought that the organisation of cooperatives among the agriculturists to provide facile credit would solve the problem of indebtedness. Accordingly, in the beginning, cooperative legislations were introduced mainly for the purpose of organising thrift and credit cooperatives.

In India, the cooperative movement was initiated with the

passing of the Cooperative Credit Societies Act in 1904. This was later amended in 1912 to provide for the organisation of societies for purposes other than credit and also for the formation of central organisations to provide capital to primary societies. This was an enabling act of the Centre and the different States were given the latitude to frame rules to regulate and administer the movement in their respective jurisdictions. Subsequently, with the expansion of credit and marketing cooperatives and the spread of the movement in diverse directions of economic and social fields, a number of States enacted separate legislations wherever the Central Act of 1912 proved inadequate to meet the needs of the movement. It may be recalled that Pakistan was separated from India much later in 1947 and the central legislation was applicable to Pakistan till it acquired sovereign political status. In East Pakistan, the central act of 1912 still provides the legal foundation to the cooperative movement in that country.

In Ceylon the cooperative movement received legal status with the enactment of Cooperative Society Ordinance of 1912. This Ordinance made provision for the organisation of only credit societies. In 1921 it was amended to enable the organisation of non-credit societies.

In Malaysia, the Cooperative Societies Enactment passed in 1922 provided for the organisation of mainly thrift and credit societies. Subsequently, in 1948 the Cooperative Societies Ordinance was passed paving the way for the development of other societies both in rural and in urban areas. In Singapore the cooperative societies ordinance was passed by the Straits Settlement Government in 1924 and came into force a year later.

In Thailand the Association Amendment Act, 1916 provided the basis for the organisation of mainly cooperative credit societies. Later, in 1928, Cooperative Societies Act B.E. 2471 was promulgated

giving wide scope for the organisation of all types of cooperative enterprises.

In Philippines the Rural Credit Law (Act 2508) of 1915 provided for the formation of only credit societies. With the enactment of Cooperative Marketing Law (Act 24 and 25) in 1927, organisation of cooperative marketing societies was facilitated.

Among the countries in the region, in the Republic of Korea and Nepal, the law to regulate cooperative movement was passed only a decade ago. In the Republic of Korea, the Agricultural Cooperative Act was enacted together with the Agricultural Bank Act in 1957. When this act came into force, agricultural cooperatives were organised at the local and national levels for providing services other than credit including marketing and the function of providing rural credit was entrusted to Korean Agricultural Bank. These two organisations did not have coordination between themselves and there was duplication and competition in their business operations. With a view to eliminating the inherent defects of the organisational structure between the agricultural cooperatives and the Korean Agriculture Bank, the government promulgated a new Agricultural Cooperative Act in 1961. By this Act, the cooperatives and the Korean Agriculture Bank were amalgamated into one systematic organisation designed to handle credit and other business activities. In Nepal an Ordinance was promulgated in 1954 for regulating the working of the cooperatives. Later in 1959, Cooperative Societies Act was passed.

It may be pointed out that though in many countries legislations were passed to provide for the organisation of marketing cooperatives, this sector of the movement did not receive much attention until the thirties of this century. In the earlier period the credit movement in some countries gathered momentum and with the rapid expansion of the movement, some of the disquietening features such as increasing overdues, mismanagement misappropriation of funds etc., crept into the picture. A few of

these unfortunate trends were, however, obscured during the rising prices and boom conditions. But with the onset of the world-wide severe economic depression in 1929 and the fall in the prices of agricultural produce and value of land, the repaying capacity of the farmers was severely affected and consequently cooperative movement in many countries received a great set back. The overdues of the cooperatives mounted up and with their assets frozen, the loan operations of the societies came to a standstill. During this period it was realised that organisation of cooperatives for providing mainly credit would not solve the problems of cultivators when the marketing of agricultural produce is in the hands of private traders. The benefits of credit are fattered away and appropriated by these traders and money-lenders. Supply of only facile credit will not, therefore, solve the problem of agricultural indebtedness. It was, therefore, realised that unless simultaneous efforts are made to develop the marketing cooperatives, the cultivator will not be able to secure the benefits of rural cooperative credit. Though during this period attention was given to this problem, serious attempts in organising marketing cooperatives were made much later. The attempts made in the cooperative marketing of agricultural produce can be broadly classified into three categories. These are, linking credit cooperatives with marketing cooperatives, organising multi-purpose cooperatives to undertake both credit and marketing, and organisation of specialised cooperatives to undertake marketing of all or certain specified commodities.

STRUCTURE OF MARKETING COOPERATIVES

In Philippines the cooperatives at the primary level known as FaCoMos, are multi-purpose cooperatives. There are also specialised cooperatives handling certain specified commodities. Similar is the

case with Japan and Republic of Korea. In Thailand, marketing is undertaken by **separate** cooperatives and an attempt is being made to coordinate their activities with credit cooperatives. The position in India and Malaysia is similar to that of Thailand. In Ceylon, in the beginning, separate societies were organised for the purpose of undertaking marketing and coordinating their activities with credit cooperatives. In 1956 the Committee appointed to examine the problem of rural indebtedness and to assess the role of cooperatives observed "that it (the cooperative movement) had not gained adequate maturity for its years of growth and that its development had been checked by application of concepts which had little relevance to the country." Since then emphasis was given on the organisation of mainly multi-purpose cooperatives. Wherever possible the societies engaged mainly in marketing were also converted as multi-purpose cooperatives. It might be pointed out here that in countries where attempts are being made to coordinate the activities of marketing and credit cooperatives, the task of collection of produce and passing on the same to the marketing societies is assigned to credit cooperatives. The structure of the marketing cooperative movement in all the countries of this region is three-tiered. Primary marketing cooperatives covering a group of villages are at the base. Such societies are generally located in a marketing centre. These are organised into federations at the district/prefectural or the regional levels which in turn are federated into apex organisations at the State or National levels. Apex marketing societies exist in Japan, Republic of Korea, Philippines and India. Some of these apex organisations handle all **commodities** and a few others restrict their dealings with only certain specified commodities.

FUNCTIONS OF MARKETING COOPERATIVES

The functions of the marketing cooperatives in many countries are not necessarily restricted to assisting the farmers in the marketing of agricultural produce. A few of the societies also provide production credit to farmers. This is done with the object of binding the farmer and giving him an inducement to bring the produce to the societies. Supply of agricultural requirements like seed, fertilizer, machinery etc. are also undertaken by the marketing cooperatives.

STATUS OF MARKETING COOPERATIVES

In Ceylon at the end of 1965 there were a total of 4708 societies undertaking marketing of agricultural produce. They had a membership of 64,624. These societies include, apart from rice which is the main crop, other products like tea, rubber, tobacco, vegetables, dairy products poultry etc. It is estimated that about 90% of the cultivators are served by these cooperative marketing societies.

In Thailand marketing movement is largely restricted to paddy though a few cooperatives have been organised to handle coconut, fish, livestock and kneaf. During 1966, there were a total of 146 primary marketing societies and 7 secondaries.

In Philippines, at the close of the fiscal year 1964 there were a total of 536 agricultural marketing cooperatives. Of these, 514 were the primary associations: 20 provincial federations; one regional federation and one national federation. The marketing cooperatives covered Paddy, Coconut, Tobacco, vegetables, fish, coffee etc. In the Republic of Korea, at the end of 1963, there were 19,869 Ri Dong (Primary) Cooperatives. These cooperatives had a membership of 2.2 million farmers. The Ri Dong cooperatives

were federated into 139 Gun cooperatives which had 397 branches throughout the country. The National Agricultural Cooperatives Federation is the apex organisation. This federation has 9 provincial branches. Besides these, there were 122 Special cooperatives dealing in different commodities.

At the end of June 1964, in India, there were 3,347 marketing cooperatives. Of these 3166 were primary marketing cooperatives, 159 central societies, 21, state marketing cooperatives, and 1 national organisation. The societies covered aspects such as cotton, tobacco, coconut, fruits and vegetables and a few other commodities. Their membership consisted of 1,30,567 societies, 17,16,800 individuals and others as regular members and 68,278 nominal members.

In Singapore, at the end of June 1963 there were 7 marketing societies with a membership of 2,970. These societies covered poultry, fish and other agricultural commodities.

INTERNATIONAL COOPERATIVE TRADE

Some of the cooperatives in the region are also engaged in International Cooperative Trade. In India, the National Agricultural Cooperative Marketing Federation and a few other marketing federations in some States are exporting products of their members to Middle-East countries. The commodities exported cover cotton, bananas, mangoes and pulses. Some of the cooperatives also import a few items like cauliflower and potatoe seeds, dry fruits and asafoetida.

The National Agricultural Cooperative Federation in the Republic of Korea has set-up a foreign trade section to handle imports and exports. The imports cover milch cattle, agricultural chemicals, agricultural machinery, seeds, maize for fodders and also rice mainly from Japan and the United States of America.

In Japan, the Federation of Agricultural Cooperative Association has been exporting agricultural products and horticultural goods as fresh tangerines, preserved foods, seed potatoes, apples and eggs to the U.S.A. Canada, U.K., West Germany, Sweden, Singapore and other world markets. This federation also imports foodstuffs, raw materials and fertilizers. In recent years considerable quantity of maize is imported from the Bangkok Farm Products Marketing Society, Thailand.

In Philippines, the Central Cooperative Exchange imports fertilizers, sprayers, farm equipment, seeds and jute sacks from Japan, the United States, India and Taiwan.

GOVERNMENT ASSISTANCE

The marketing cooperative movement has received considerable emphasis particularly after the launching of development plans in many countries in the region. In the development plans, several countries have adopted a deliberate policy of encouraging and organising cooperatives in different fields of social and economic activities. Along with other cooperatives, the marketing cooperatives are given increasing technical and financial assistance by the Government so that they could undertake marketing and other necessary allied activities in an efficient way. The nature of financial and technical assistance given to marketing cooperatives is indicated below:-

- i) Loans and subsidies are given to cooperatives for certain specific development programmes which in their initial stages are not likely to attract finance from regular financing agencies, for example, cooperative processing. Some of the purposes for which loans and subsidies are extended relate to construction of buildings and store-houses, purchase of sale-depots, purchase of machinery and other

equipment, say for undertaking processing and other activities, purchase of transport vehicles etc. For certain purposes, these loans are extended at concessional rates of interest.

- ii) Subsidies are also made available for opening branches of cooperatives so that they could extend their services in the interior areas.
- iii) Loans and subsidies are also given for the appointment of technically trained and qualified managerial personnel. In certain cases, government also deutes their personnel to work as Managers or Secretaries of the societies. The cost of these personnel is borne either by the Government or the society or shared by both.
- iv) In many countries, governments have created specialised institutions for providing financial assistance to all types of cooperatives including marketing societies. These institutions are, however, run on commercial lines. For some of these institutions the resources are entirely provided by government through initial appropriation from government budget. In Philippines, the funds for ACCFA (now ACA) were largely provided by government. Similar is the case with Thailand. Again in India, the Central Bank of the country, Reserve Bank of India, provides finance to cooperatives for various purposes at concessional rates of interest. For certain purposes, the rate of interest charged is below the Bank Rate.
- v) With a view to assisting the cooperatives in increasing the borrowing power of the societies and also to generate confidence among the commercial institutions in financing the cooperatives, in some countries, the governments have contributed to the share capital of the societies and have

thus, become active partners in the development of cooperatives. This contribution is given to cooperatives at all levels.

- vi) In order to provide proper atmosphere and create suitable conditions for the effective working of both credit and marketing cooperatives, operations of money-lenders and traders are being regulated through legislation. In India for regulating the trade in agricultural commodities special act entitled Regulated Market Acts have been enacted and enforced.
- vii) Financial assistance for the purpose of carrying on cooperative education and propaganda work is given to cooperative federations and cooperative unions. Governments also have provided assistance in organising special training course for the personnel to work in marketing cooperatives

It may be indicated that in recent years in many countries the quantum of finance given to different purposes have increased substantially. Among the countries in the Region, the financial assistance provided to Cooperative Marketing Societies in India appears to be very significant. However, no comprehensive statistical data are available for making an estimate of the total annual value of State assistance to cooperative marketing societies throughout the countries in the region nor is it easy in all cases to distinguish between grants and loans or to decide whether a loan at current rate of interest from a National Bank to cooperatives to cover the amount of crops should be counted as a State aid or as a normal and mutually profitable business operation.

OTHER FORMS OF STATE ASSISTANCE TO MARKETING COOPERATIVES

Marketing cooperatives are also given support and encouragement in other ways. Some of the ways in which the support is given

to marketing cooperatives are indicated below:

- i) Marketing cooperatives as also other credit and multipurpose cooperatives are given moral support by the government in recognising them as suitable agencies for undertaking various activities. In India, for example, during the Second World War procurement and distribution of rationed, controlled and other necessary commodities was entrusted largely to cooperatives. Cooperatives are also given the work of distribution of fertilizers, cement, iron and steel required by the farmers. The cooperatives are also utilised in the food procurement operations. In Ceylon, the entire food rationing scheme in the City of Ceylon is implemented through cooperatives.
- ii) In Ceylon cooperatives are utilised for implementing the Guaranteed Price Scheme for agricultural commodities. In the Republic of Korea, the Rice Lein programme is mainly operated through cooperatives.
- iii) Cooperatives are also given preferences in conducting import and export trade. In Ceylon, for example, the Cooperative Wholesale Establishment, a State Corporation, which supplies consumers goods to Cooperative Societies acts as the sole importer of items in short supply.

Fiscal Privilege

Cooperatives are also allowed remission or concessions in certain taxes such as exemption from income tax, stamp duty and registration fee. In certain cases, cooperatives are also exempted upto a point from other taxes and customs duty. The tax concessions given to cooperatives have been of great value in the past and still have a value in developing countries where cooperatives are individually small and lack resources. The privileges given to cooperatives in the execution of awards through government agencies, exemption of shares or interest of members from attachment may also be mentioned.

Appointment of Committees of Enquiry

Another way by which governments have assisted the marketing cooperatives as also the cooperative movement in general is through appointment of Committees of Enquiry from time to time with a view to suggesting measures for strengthening the Cooperative marketing structure. In recent years, governments have also been providing financial assistance to professional organisations and Universities for undertaking research in pertinent fields of cooperation. In some countries and particularly in India, a few of the States have cells for undertaking research in different fields of the economy including cooperation.

PROGRESS OF MARKETING COOPERATIVES

It may be pointed out that with the exception of Japan and specified sectors of a few other countries, the progress of marketing cooperative movement has not been very significant. In certain countries, cooperatives handling commercial crops like cotton, sugar-cane etc. have shown considerable progress. Similarly, in areas or regions where the size of cultivation holdings of the farmers are generally large and the food crops are grown on a commercial scale, the marketing cooperatives are faring well. For example, rice in India. In regions where the subsistence farmers abound and diversified crops are withered the progress of the marketing cooperatives has been rather poor.

PROBLEMS OF MARKETING COOPERATIVES

Various factors have contributed to the poor progress of cooperative marketing movement in these countries. Among others, lack of adequate financial resources with the movement and inadequate understanding of the problems of agriculturists and their financial and other needs, lack of interest and active participation by the members in the activities of the societies and absence of loyalty among the members, lack of availability of able management personnel

and the entry of money-lenders and traders in the society, wide spread illiteracy and general lack of understanding and appreciation by the rural masses of the ability of cooperative technique as a means of increasing their economic and social welfare have combined in varying proportion to work against the progress of the marketing societies. Absence of other external factors which can create a congenial atmosphere for the smooth working of the societies may also be emphasised in this connection.

PROBLEM OF FINANCIAL RESOURCES

The marketing cooperatives as also the entire cooperative movement, do not have the needed financial resources to undertake their functions. This limits their ability to provide credit to farmers when the produce is brought to the society or to extend credit to market functionaries. Many of the societies have scarce or no facilities to undertake processing of agricultural produce. This is particularly so with regard to producers with a small surplus of produce. The small producers would like to sell it outright rather than entrust it to marketing society for sale on an agency basis.

The practices and methods of marketing cooperatives are often out of tune with general prevalent trade conditions so that they are not in a position to offer sufficient inducement to producers to bring their produce to them in just the same way as private traders do; much less can they compete with the traders. The merchants have their agents operating in the villages who either arrange for the transport of produce to the Mandi or even purchase the produce in the villages. In many of the villages there are a number of petty traders having considerable hold over the agriculturists. They collect all the marketable surplus from the cultivators and transport it to the higher agencies or the wholesales in the marketing centres. Besides, some of the money lenders combine money lending and trading activities and advance loans on the conditions that the produce would be sold to or through them. Besides, when they sell their goods to

the traders, at their doors they get immediate payment. This arrangement is also inconvenient to the cultivators since it would relieve them of the trouble of making transport arrangement and other inconveniences.

Just as there are limitations to the success of a cooperative credit society can achieve, so also the success of marketing cooperatives divorced from the supply of credit have considerable limitations. It is needless to mention that if the cultivators are to bring their produce to the marketing society, they should be given adequate finance in the form of credit for production and other essential requirements. In this sphere, however, the record of the credit cooperatives has been rather poor and unsatisfactory. The inadequate financing of the peasants by the credit cooperatives has contributed to a great extent for the poor progress of the marketing cooperatives. It may be recalled that till recently, in many countries, ownership of land was the criterion for advancing loans. Even in this system, by and large small farmers were by passed and where finance was provided, it formed a small part of their needs as the loan was related to the value of security given to the society and not to the profitability of investment. Obviously, in such an arrangement, a number of tenants and also small farmers were not eligible for cooperative loans. In recent years some attempts are being made to supply credit on the basis of production requirements and repaying ability. The progress achieved, however, is far from satisfactory. It is reported that in many countries cooperatives provide loans in a mechanical way and that they do not adequately consider individual needs for production purposes. Consequently, cultivators are driven to money-lenders and or traders for securing the needed financial assistance. This leads to divided loyalty among the members and in all probability the interest of the cooperatives are likely to suffer. There is, therefore, a need for cooperatives to reform the loan policies and procedures so that the production credit needs of the cultivators are met adequately.

There is yet another factor which has contributed significantly

to the breaking of loyalty among the members towards the society. Besides production finance, cultivators need finance for their maintenance expenses during slack season and to meet other demands. However, the cooperatives provide mainly for production purposes and finance for maintenance if at all given, is on an extremely restricted scale. As a result, members are forced to approach money-lenders and traders for meeting their maintenance and unavoidable domestic expenses. This creates disloyalty among them towards the society as they would be particular in the punctual repayment of money-lenders' and traders' dues for fear of their refusal to entertain them at all odd times and for all odd purposes. Thus, the interests of both credit and marketing societies suffer. It is, therefore, not surprising if the members evince no interest in the working of the societies. Where the members loyalty cannot be assured, it is difficult for the cooperatives to discharge their functions properly or to extend their range of activities in other fields. The need for providing consumption finance arises because of the fact, that in the case of large majority of cultivators in these countries, agricultural enterprise is a deficit one. In the light of the inadequacy of the resources at the disposal of the society, the deficit nature of the agricultural economy of the cultivators and the difficulties involved in ascertaining precisely the nature and extent of the subsistence needs of the farmers, the problem of subsistence finance to cultivators needs to be carefully examined.

PROBLEM OF MANAGEMENT

Lack of availability of able personnel with honesty, character and ability to manage the societies is also a factor contributing to the poor progress of the cooperative marketing societies. Many societies have come to grief because of the inability of the societies to pay adequate remuneration and attract able men to manage the societies. People with business knowledge, acumen and leadership prefer to work in enterprises where they see better prospect for their future. The cooperative enterprise has, to them not proved to be a venture

that can secure their personal future development. The instability and failures of cooperatives coupled with very low compensation drive them away to other kinds of work. Thus, what is often left in the community to accept cooperative employment are the mediocre and those who make cooperative management a part-time job. In neither of these cases, cooperatives can have that high calibre management ability and devotion which cooperatives, especially in their formative stages require. Because of the poor management, the marketing societies have not been able to provide the reasonable marketing services to enable the grower to obtain a fair price for his produce.

Because of the general illiteracy of the people and many other factors it is rather difficult to secure the personnel within the village community. In many cases, a vast majority of agricultural community are still excluded not by ability but by their poor education, poverty, indebtedness and low economic and social status from any position in society which involve responsibility supervision and leadership. Moneylenders, traders and landlords, through long association with the ruling class have acquired administrative skill and ability. They are the educated elite and therefore the most effective and active group in these communities. Besides, because of their economic strength and social status they provide leadership to the rural community and thus wield considerable influence over the peasants. They pervade all social, economic and political institutions and have a determining influence on the policies and programmes of these institutions. In many countries, apart from providing open competition to the coöperatives, in the guise of cultivators, money-lenders and traders have crept into coöperatives and with their array of mal-practices and questionable activities, have attempted to dismantle the fabric of societies. They manage to

to get elected to the Board of Management and manouvere the policies of the societies in a manner to suit their own ends. Studies on the working of the co-operatives carried out particularly in India, Pakistan and Philippines, have revealed that the co-operative loans have largely been appropriated by these groups at the cost of small farmers who are most in need of such loans. Even the loans taken by these agencies have not been promptly repaid to the societies.

Such instances abound in India also. In many cases, even the resources of the societies are misappropriated or utilised by these vested interests in financing their own business. However, some of these persons, inspite of their questionable practices, manage to retain their position in the societies through sheer strength of financial and other assistance by way of which they bestow innumerable petty favours on the farmers. Thus, lack of proper personnel to manage the societies and entry of money-lenders and traders has contributed greatly to the ineffectiveness of the cooperatives. The big question is how to prevent such persons from entering into the management committees of the societies. As experience has shown, most of them become members on the pretext of being cultivators and manage to get elected to the Board of Management of the societies. Unless the law itself defines a 'trader' and a 'money-lender' or makes provision to empower the Co-operative Department and/or the Society to exclude a particular person if it is convinced that a particular person is a money-lender or a trader, it is not possible to prevent the domination of these vested interests. As a long-term measure, the solution of these ills lies in educating the farmer members in their rights and duties and in creating co-operative leadership among this under-privileged community,

PROBLEM OF EDUCATION

Because of wide spread illiteracy there is a general lack of understanding and appreciation by the rural masses of the potentialities of the cooperative technique as a means of increasing their economic and social welfare. The need for providing cooperative education to rural people in the principles and practices of cooperation and in making them understand their rights and duties as also their privileges and obligations in a cooperative endeavour can hardly be emphasised. Cooperation is a democracy in action and like democratic government, the success of a cooperative society largely depends upon its ability to secure enlightened members. The poor progress of the movement in these countries may also be attributed to the fact that educational aspects of the movement is not given the importance it deserves. In many countries, in their impatience to achieving rapid progress and improving the conditions of the rural people through cooperative approach in different economic and social fields, cooperatives were organised without preparing the foundation through proper cooperative education of members. Cooperative education will enable in changing the attitude of members. Since this change grows from inside, it will endure. This education should not, however, be in the form of mere lectures and reading material but this education should be by example, a kind of education that will strengthen the membership base and management staff.

COOPERATIVE MARKETING AND THE INFRA- STRUCTURE OF THE ECONOMY

The extent to which the marketing cooperatives can play their role in assisting the cultivators in securing better price for their produce also depends upon the improvement of certain

external conditions. These relate to aspects such as implementation of land-reform measures, extension of irrigation facilities, establishment and effective working of regulated markets, development of transport and communication facilities, effective regulation of money-lending activities by private money-lenders, provision of general education to people etc., though attempts have been made to bring about improvement in these directions since long, progress is visible to some extent only in recent years. The structural maladies in the economy need to be remedied so that facilities are created for the smooth and effective working of the marketing cooperatives.

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OBJECTIVES OF NATIONAL/REGIONAL FEDERATIONS OF MARKETING CO-OPERATIVES

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OBJECTIVES OF NATIONAL/REGIONAL FEDERATIONS
OF MARKETING CO-OPERATIVES.

A Federation can be the beginning to an integrated system of marketing co-operatives or it can be the final step in the completion of such a system. In this introduction to a discussion of the objectives of national/regional federations of marketing co-operatives, it might be well to begin with the latter case, and end with the former. My experience is primarily concerned with the federation as a climax to the system. You, however, might be more interested with the federation as the origin to integrated marketing co-operatives, and this, then is what will concentrate our study on.

A. Federation and centralization.

The birth of agricultural marketing cooperation, long ago, was locally spontaneous, and organized to meet local needs. In communities where needs were similar, growth was simultaneous. These needs were usually specialized, i.e. credit, insurance, processing, slaughtering etc., and thus from their beginning, local co-operatives were specialized.

In some cases the first local co-operatives established trade and processing where previously these functions were non-existent. In other cases, co-operatives were established to compete with private enterprises, and increase competition in a system in which capitalism was the foremost dynamic power. Under these circumstances it was natural for the government to remain neutral - in a liberal interpretation of the word - to the co-operatives, while at the same time the co-operatives claimed freedom from governmental intervention as a pre-requisite for their individual and unintegrated expansion.

The local achievements in many places were inspiring and became recognized as a means of help to the small, commercially unskilled, and I might even say consequently, poor farmers, to improve their living conditions. This became a stimulus to promote agricultural co-operation either on social grounds by appropriate government administration, or for humanitarian and idealistic reasons by privately organized councils or committees. Such councils and committees, however, could not be considered as federations in the type of cooperative system now under consideration. Even after federations have been established, councils sometimes continue their work as collateral bodies supplementing the more commercialized promotional work that the federations are engaged in. For instance councils and committees could extend their activities to producer - and consumer co-operation alike, even when these sectors have become separate movements, whereas the interest of a commercial federation naturally must be limited to the branch of co-operation that it federates.

The second stage of co-operative development, when local co-operatives have been established, is the horizontal integration into larger and more efficient local units, which can afford better trained and more specialized personnel. Simultaneously, or with some time lag, horizontal integration will spur a vertical integration into unions. The unions enable better co-operation between local co-operatives in fulfilling common goals on a regional basis, and in handling specialized activities efficiently, of which the fixed costs are too heavy for local co-operatives to bear individually. This kind of vertical integration into unions will be especially beneficial when the result is a rationalization of the collection and distribution system within the area and when extended to co-operative production and processing. Eventually, this integration might lead to a complete amalgamation of the respective local co-operatives into one single organization for the whole area in question.

The third stage of co-operative development will consist of an integration of co-operatives with the same business endeavors into a national or large region federation. This unification of primary societies directly or via their unions, will result in a federation of dairies, slaughterhouses, different kinds of packing stations, etc. Just as the unions have taken over functions from the primary societies, the federation will then take over such functions from the unions which can more efficiently be carried out on a national basis. It would lead to more specialized, and therefore by necessity, more centralized types of production and processing. These could be made activities of the federation to be decided upon according to the general rules followed with respect to the influence of the unions over the federation, or they could be activities of subsidiaries to the federation. In this case, the same decision making would be applied but in an indirect way. Yet as another alternative, the respective production or processing companies could be directly affiliated with the unions or to a regional group of unions, according to capital contributions or other standards agreed upon from case to case. This would then be a co-operation of the unions outside the federation.

The most important of the federation's other tasks is importation and exportation to complement the domestic market regulation. In this activity all unions and other traders in the same branch, no doubt, have an interest although it not always is the same. The concern of the unions is for the federation to co-ordinate interests to strengthen their co-operative bargaining power in relation to competing bargaining powers that are operating in the market and which at the same time will be trying to improve their strength and strategy.

The development, due to its nature, is monopolistic, and this is unavoidable. For a long time the free competition of an economically developed society has been gradually substituted with collective bargaining. This does not mean that free competition

no longer exists. On the contrary, many of the characteristics of free competition are still recognizable today, especially among small enterprises of which farmers constitutes the largest group. But it no longer is a comparably efficient form of competition. Once this has been acknowledged, there is no possibility, to impede its progress on a local or union level, unless all the possibilities of collective bargaining have been exhausted.

To clarify the situation, we might speak about two different types of marketing efficiency. One is competitive efficiency, resulting from one enterprise giving a better price than the other. This is usually taken as proof of a corresponding difference in costs - which it not always is. Competitive efficiency, has no bearing upon the price level as such. A trader can always earn a decent living of his middleman's margin, whether it is on a high or on a low price level.

The second type of marketing efficiency, we might call co-operative efficiency. In its measurement we not only include simultaneous price differences, but also the price level, i.e. a measurement of the eventual influence of the respective co-operation on the price level, and if on an average it has been to the advantage or disadvantage of those co-operating. The difficulty with co-operative efficiency, of course, is that an existing price level cannot be measured in relation to a non-existing one. In other words, there cannot be two levels available for comparison at the same time. But this does not make co-operative efficiency less important. Generally the responsibility for practicing it rests more with the union than with the local co-operative, and more with the federation than with the union.

Examining further the monopolism touched upon above, we find that it cannot be very definite when its outcome depends on governmentally controlled foreign trade. Today, external trade in agricultural products is usually controlled by the government.

A co-operative monopoly, furthermore, cannot be very effective as long as the respective agricultural production cannot be appropriately controlled. To check agricultural production, especially its reduction has proved to be very difficult or impossible for governments, even with the many extraordinary tools they have at their disposal. This leads us to the conclusion that monopolism and co-operative efficiency are more similar in theory, than in practice.

In practice, cooperative efficiency as guided by a federation must focus on promoting orderly domestic trade and, furthermore, in co-operation with the government, on adjusting foreign trade so that domestic endeavors are not hampered. The main concern is domestic trade, but as foreign trade is a matter of obvious governmental intervention, this always attracts the most public attention. Orderly domestic marketing, on the other hand, tries to avoid wide seasonal variations to store and distribute evenly over seasons and areas, and to produce and process in order to meet and further develop consumers' demands. This is just what we all like to see materialize. What we go on quarrelling about, is how fast it can be realized, to what extent, and who should gain how much in the short and long run. Co-operation is a pooling of resources and a pooling of costs. Its efficiency depends on leadership, on the number, knowledge, and solidarity of members, on the profits and possibilities for member satisfaction and self-financing of further development, and last but not **least**, on good public relations. All this certainly provides the federations with a wide field of action.

The **fourth** stage of co-operative development will consist on an integration of branch federations into an over all co-operative federation. Again the objectives and functions of the institution from a commercial point of view must be analyzed with respect to its co-operative efficiency. Some kinds of production

and processing might, for instance, be of interest for many branches and beneficial to the farmers generally. They might further necessitate investments and capital contributions that can only be afforded by all the agricultural co-operators jointly if the advantages of large-scale operations shall be appropriately utilized. For the administration and the decision making there are, in principle, the same possibilities and alternatives as with the integration of unions into a branch federation.

When the co-operative integration is merging towards on over all federation or even long before that, the relationship to other farm organizations, if there are any, must be clarified. Agricultural co-operatives and farmers' unions are regarded to be the primary movements among the farmers. So let us concentrate on their relationship.

To begin with, we observe that one of the two movements is incorporated and the other unincorporated. One of the movements is an aggregation of the farmers' business interests, and the other is a more free and spontaneous aggregation of the farmers' general interests. However, one might claim that in an economically developed society all kinds of professional interests are identified by their economic repercussions and that the target for all professional improvements is economic betterment. As a consequence, agricultural co-operation must either be one, and probably the best, of the tools that the farmers' unions can dispose of, or the unions must simply represent one of the functions of the overall federation, i.e. the communication with the members.

No doubt a coordination of opinion is necessary in the relationship between the farmers' organizations, on one hand, and the government backed up by public opinion, on the other hand. This is most important in negotiating agricultural price and income policy, but is very necessary in many other instances also.

To guaranty coordination an amalgamation of the two movements into one is often advocated, where it is not already a matter of fact. It certainly broadens the objectives of the federation or the union, or whatever name we give to the overall organization.

In my opinion such a solution to the problem is partly a failure. Co-operation is more than just being business associates. Moreover, the field of activity is so vast, that a far reaching division of labour always must be necessary. The interests of the farmers in their organizations, finally, are so diversified that compromises in many directions must be the normal scope for all practical solutions. Under these circumstances a very simple organizational structure could easily promote the welfare of those concerned at the expense of democracy. In the long run, the result would be to reduce what we have identified as co-operative efficiency. Therefore, it seems desirable to place limitations on the objectives of an overall federation of agricultural co-operatives. Naturally, the limitations should concentrate on efficient business transactions and orderly marketing.

B. The role of a central federation in promoting agricultural co-operation.

A country that intends to build up a co-operative marketing system in a relatively short time, may have a different situation from the one we just discussed. Naturally, it is difficult to discuss the objectives of the respective federation before the situation has been set forth more precisely. The consensus of opinion may simply be that "something has to be done". However, let us suggest that there is governmental planning for development, and that this includes an expansion of food production and distribution. Increased agricultural production is found necessary both to raise food consumption on the farms and to make possible industrialization in rural areas that would otherwise require more imported food. So a

domestically integrated and coordinated system of trade is also found necessary. Preferably, this should aim at transferring the larger part of the middlemen's profits to the farmer's pocket, and thus stimulating them to increase their commercial production without increasing the price to the urban consumers. Let us suggest that this broad interpretation of the situation is the base for a co-operative policy as a part of the overall economic plan. Of course, all the respective trade need not to be co-operative. According to the planners, however, co-operation should be given a fair chance to play its role in the economic development. It is with this background that we now will discuss what objectives should be set for a federation, in order to make it the nucleus of co-operative contributions.

Co-operation is not an invention of the middle 19th century. Long before the co-operative movement became popular, it existed between neighbours and tribesmen in villages all over the world. In all co-operatively "underdeveloped" countries there also is a co-operative past and present. Therefore, the first objective of the federation under discussion might be to start with the existing tradition, by analysing past successes and failures, and from this basis set up a program for the further development of the primary societies and for their integration. Such a program cannot be copied from somewhere else. It must regard existing national, cultural, sociological and demographic conditions and conceptions and it must be based on local knowledge.

In a program for development should be included many education and training activities. This is characteristic of co-operation and a legacy from the pioneers at Rochdale. Also, it is an insurance premium to safeguard democracy, and a road towards economic efficiency. An important task of the federation is to promote and guide co-operative education and training. As for basic education, including

ability to write and read, this and much more will gradually be met by the government's education plans. In the meantime, however, it will be difficult to separate the responsibility of co-operative pioneers from that of public authorities. Consequently, the only practical solution is for the federation to establish good working conditions with the government, without, of course, giving up its integrity. Coordination of action will also be necessary in many other respects, and the coordination now discussed could be regarded a starting point.

Besides basic education, co-operative ideology must be included in the federations development program. Co-operative ideology could also be the beginning of the program. In building a modern economy there is an urgent need for the individuals to become aware that working together is necessary for success. This is what co-operative ideology spells out. However, it must not stop at that. Practical training in many management and marketing routines is also necessary, and without them the preached ideology might eventually turn out to be lies. It seems probable that once efficient co-operatives have been established their interest would be more centered on business efficiency, leaving less room for an interest in co-operative ideology. This must be foreseen in the federation's programme. The real test of any co-operative programme comes during what we could call the third stage of development. This stage is the pooling between members and between different areas of local surpluses and scarcities. Also, the co-operative ideology must be developed so that it can satisfactorily explain the principles of cost and revenue sharing. In a dynamic economy these principles cannot be static. Justice is an eternal value, but its application is constantly extended to new situations and relationships. To see to it that co-operation will not only be established but will also survive as a principle, is the responsibility of the

central federation, and it calls for a great deal of work and foresight.

By this point the question might be raised, if what has been discussed does not fall within the field of action of a farmers' union organisation, instead of being the duties of a federation of co-operatives? Where the work is extensive and complicated it can always be discussed if efficiency is best taken care of when it is done by an amalgamation or by a division of labour. The work to be done in this case, is promotion of co-operation as a means for self-help, and promotion of a dynamic agricultural policy. Certainly, the two are interrelated. If amalgamation or coordination of the work results in the best type of structure for the farmers' organizations, depends on what kind of co-operative movement we have in mind, i.e. if it is a specialized farmers' movement or if it is an overall co-operative movement including producers and consumers alike. And with these very brief remarks I would like to leave this interesting question, to be considered in the following discussion. Who should be charged with the responsibility to initiate a co-operative law, if there is none, who should work out standard rules and regulations for the co-operative societies, who should represent the national organizations at home and abroad and so on? The questions might not always be important from a practical point of view, and the solutions need not necessarily be systematic. However, a discussion of these problems will help in clarifying their nature, i.e. if they are principal, organizational and/or personal.

One function, which no doubt belongs to the federation type of organization, is the commercial servicing of associated societies. This can be accomplished simply by arranging wholesale contracts with private firms, either processors, manufacturers.

importers or exporters. It can also be done by organizing a wholesale agency, or by the federation being transformed into an agency of which the unions become members. It can also be done by carrying the integration further, as is the tendency in many co-operatively developed countries, and as has been described earlier in this paper.

Another line of development is for the federation to stick to more general services such as education and training, auditing, printing, public relations, and representations. Finally, it can be consolidated into the objectives of an over all federation. To my mind there seems to be either a very short way to go or a very long way in co-operative development before such an overall federation can meet with expectations.

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ADMINISTRATIVE SET UP FOR POLICY MAKING AND CONTROLLING
OPERATIONS: AREAS OF RESPONSIBILITY AND LEADERSHIP: ROLE
OF THE GENERAL MANAGER

by

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ADMINISTRATIVE SET UP FOR POLICY MAKING AND CONTROLLING
OPERATIONS AREAS OF RESPONSIBILITY AND LEADERSHIP:
ROLE OF THE GENERAL MANAGER.

The purpose of this presentation is to discuss the nature of administrative set-up for policy making and controlling operations in Cooperatives; define the roles of the Board and the Manager for sustaining an effective and smooth business-relationship; analyse the reasons for erosion in relationship, locate areas of disagreement and discuss ways and means to prevent rifts and frequent breakdowns.

INTRODUCTION.

Cooperatives are forms of business organisations with democratic ownership and control by members having common needs, serving themselves on a non-profit basis and receiving benefits proportional to their participation. These principles are reflected in the set-up and the constitution of the cooperatives. The cooperative law and the bylaws of the cooperative societies provide that ultimate authority relating to the administration of the affairs vests in the General Body of members exercising one vote irrespective of their share-holdings. Accordingly the administrative structure of a cooperative institution is essentially to be so designed as to ensure that its members have strong influence in shaping its operational policies and in the management of its affairs.

In small societies, or at the initial stages of a cooperative organisation, introduction of a purely democratic administrative set-up, with full control with the General Body is practical. In such cases, the membership being limited is in a position to meet frequently and manage the operations of the society. Honorary workers might also be available from amongst the members to look to the day-to-day work. But with the expansion of members and extension of the activities of the

society, such an arrangement can no longer work. Firstly, it will not remain easy for the General Body to meet frequently. Secondly, the personal touch among the members would be missing. Thirdly, the increased volume of work would need whole-time attention, and technical jobs would require handling by specialists. Consequently, need will arise for a type of administrative set-up in which, while on the one hand, the members should have adequate influence, on the other, a machinery is provided for efficient handling of the affairs of the society.

ADMINISTRATIVE SET UP.

The Cooperatives being democratic institutions organised and run on the basic principle of one member one vote, the ultimate authority has to vest in the General Body. How-so-ever big a cooperative society may grow, the General Body of members retains supreme control of the affairs and has the following powers normally reserved for itself:-

- i) Approval of the annual plan and programmes prepared by the Board of Directors.
- ii) The election, suspension and removal of the elected members of the Board of Directors.
- iii) The fixing of maximum credit limits for raising loans and deposits from non-members.
- iv) The consideration of the annual balance-sheet and profit and loss account.

While zealously guarding the democratic set up, any cooperative society has to have business efficiency for its ultimate success. It has to provide a set-up which is capable of meeting regularly at short notice and taking quick decisions. To meet this objective a small decision-making body is constituted

from amongst the members by themselves for carrying on the various functions and for formulating and implementing policies for promoting their economic interests specified in the bylaws. This body is called the Managing Committee or the Board of Directors.

The stewardship responsibilities of the Board of Directors as embodied in the bylaws of various types of cooperative societies are broadly enumerated below:-

- a) To guide the institution to its objectives and to prepare blue prints and to lay down policies of business and generally to organise, direct, coordinate and control the affairs of the cooperative institution prudently and efficiently and in the best interest of the cooperative with due regard to the security of the funds and interests of the members;
- b) to decide the terms of the purchase and supply of agricultural production inputs and the marketing, grading and processing of agricultural produce;
- c) to arrange for the storage of stocks;
- d) to appoint, dismiss or remove the employees.

The responsibility of the Board of Directors for the discharge of the above functions has been recognized in the cooperative law which provides that members of the Board shall exercise the prudence and diligence of ordinary men of business and shall be responsible for any loss sustained through acts contrary to the law, bylaws and stated objects of the institution. This amply underlines the importance of the position of the Board of Directors in the administrative set-up of the cooperative institutions.

NATURE OF ADMINISTRATIVE STRUCTURE.

General Body: The general body of a society comprises of all its members. Individual members have to be present in person to exercise their rights of membership. In their case no proxies are allowed. In the case of cooperatives having mixed membership, the society members are

represented through their duly accredited nominees. When the area of operation of a cooperative society is quite wide spread it may not be possible for several reasons for all the members to participate in the General Meeting. In such cases the area of operation of the society is sub-divided into zones and the members from such zones are invited to send a certain number of delegates. Such elected delegates then constitute a general body.

Board of directors: A Board of Directors is elected by the General Body. The election of the Board of Directors is generally made keeping in view fair representation of the various interests in the institution. For example, in such societies where the membership is comprised of cooperative societies as well as individuals, a certain number of percentage of the total number of directors is specified for representatives of individual share-holders. Again in case of large societies having a wide area of operation such as, Apex Marketing Societies, the area of operation is sub-divided into manageable zones for the purposes of representation of members on the Board of Directors. Such zones may be co-terminus with revenue division, or district as may be convenient.

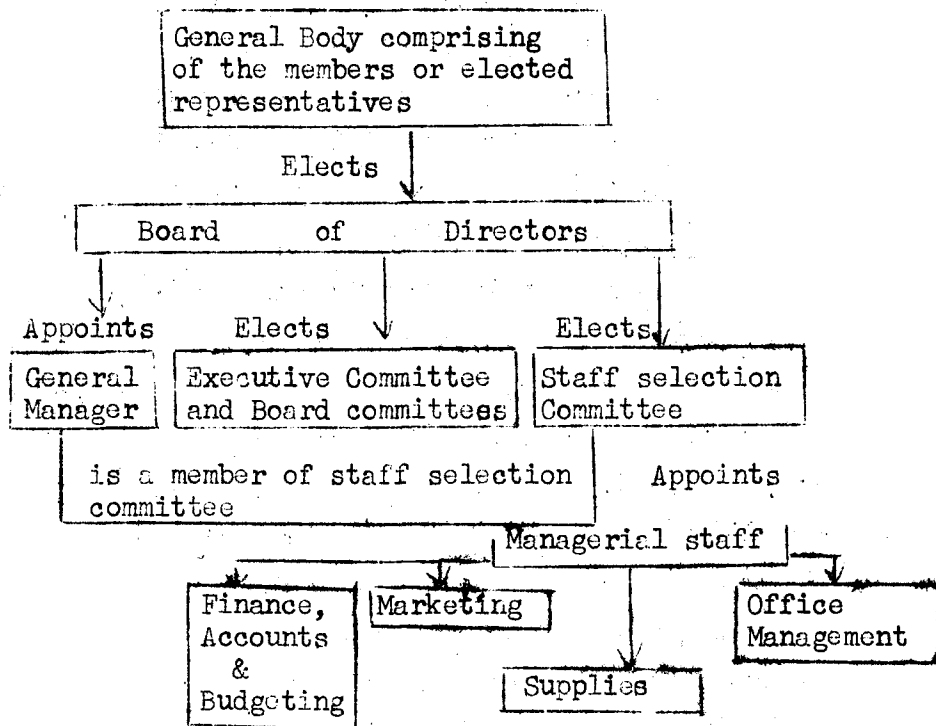
Board Committees: The bylaws provide that the Board of Directors may constitute a standing executive committee of a limited number of members and delegate such of its powers and duties as may be considered necessary. In fact there may be a number of fact-finding subcommittees or Board Committees with limited area of responsibility to deal with specific problems or assignments and come to a well considered decision for advising the Board. The decisions of the Board committees are referred to the full board whereas the executive committee actions are subject to review and ratification of the Board. This position, however, may vary from society to society and the powers and duties of a

particular Board committee are actually derived from the specific resolution of the Board creating such committees. It is considered that the board committees are conducive to arriving at a more fair, much quicker and rational decisions after studying all facets of the problems and getting ready all necessary data for final decision.

EMPLOYED MANAGEMENT: In a small cooperative institution, the supervision and planning of activities can be conveniently handled by one or more elected representatives on the Board of Directors. As soon as an institution gets in stride and expands both its membership and volume of work, the directors may not have the time for supervision and follow-up. The nature of the work very often involves technical and complicated matters which are beyond the scope of an average director. It becomes necessary to employ specialised staff to take charge of various tasks in order to ensure full-time attention. A number of officers are needed to look after the work of purchase, storage, grading, marketing, and processing. The maintenance of accounts also needs separate staff. At this stage of development necessity is felt for appointing a full time General Manager whose main task will be to coordinate the various activities of the institution, to direct its day-to-day operations and to project its further development. The selection of the General Manager or other top key personnel rests with the Board of Directors. The Directors are under an obligation to the ordinary cooperative member to ensure competent managerial staff with certain recognized standards and proved ability.

The administrative set up as it emerges from above discussion

is illustrated as under:-



SELECTION OF DIRECTORS ON THE BOARD -THEIR QUALIFICATIONS:

The cooperatives are expanding their activities, widening their horizons and there is both horizontal and vertical development. The job of a director, if he has to participate effectively, is at once complex. The selection of best qualified and most competent persons to serve on the Board is, therefore, a matter of crucial importance. The directors should have background experience related to the objectives and functions of their cooperative. They should be loyal and have team-spirit to work in a group. They should be able to assess the progress of the enterprise and evaluate the performance of the management in a most objective and detached manner.

The directors who have to play a leading role are elected by General Body. It is, therefore, essential that members should be educated in regard to their rights and duties and basic principles of cooperation so that they vote for the most suitable person to serve on their Cooperative. In fact building of an effective educational programme appears to be the corner-stone upon which further cooperative development can be projected. The tendency to elect directors on the consideration of caste, religion or politics should be effectively curbed.

ROLE OF DIRECTORS: The Board's most important function is that of laying down broad current policies and formulating long terms projects. The policy matters should be based on realistic grounds and the targets should be capable of achievement. Once a decision has been taken on a policy matter its implementation should be left to the employed management. The Board should not interfere in the execution of jobs, but only ensure that the decisions of the Board are translated in practice.

GENERAL MANAGER-HIS ROLE: Owing to its intermittent existence, the Board or the Executive Committee cannot assume actual control and direction of the day to day affairs of an institution with expanded activities. The Board can meet only after periodical intervals and its decisions can be taken only in the meeting. As soon as the meeting is over, the Board becomes non-existent. But in a business institution, problems arise daily and have to be settled without delay, otherwise the business suffers. Here arises the need for a whole-time General Manager to supervise and control the activities of the institution and direct its day-to-day operations. The General Manager who is a chief executive has not only to coordinate activities among his

staff, but has also to show the skill and capacity to operate and manage business. He should have all the attributes which are essentially required to guide the organisation to the object set before it. Much will depend on the combination of his skill, knowledge, attitudes and general behaviour for conducting the affairs. He has to be the prime mover and initiator in expanding the working, bringing in economy and presenting a realistic picture of the affairs of the organisation entrusted to him. A competent Manager will invariably surround himself with persons of similar calibre and quality. He should be believer in the ideology of the cooperative movement and should possess a cooperative bias. In summary, much depends on the proper selection of the General Manager of an institution as his business capabilities and administrative talent will alone determine the success of the institution.

RELATIONSHIP BETWEEN BOARD AND GENERAL MANAGER:

In practical working of any business institution, new problems have to be tackled promptly. Many of them need handling with great technical and specialised skill. In order to avoid the impact of unfavourable abrupt fluctuations, speedy decisions are also required. These matters cannot brook delay until the Board's meeting. In the circumstances, in the interest of efficient business, General Manager should have adequate well defined powers to take decision on day-to-day problems. He should be completely incharge of staff under him. He should, of course, keep the Board posted about such decisions and present a report in the meetings. If the Board of Directors does not agree to a particular decision, it will criticise the action of the Manager, who will be cautious in future and will not repeat the wrong decision. The General Manager should not resent the criticism since he is the agent of the Board and subject to its control and direction. The broad guide-line in maintaining satisfactory relationship is that the formulation

of policy and projects should be the domain of the Board of Directors, whereas execution of the policy should be delegated completely to the General Manager. The demarcation should be respected. An occasional lapse should not undermine the relations but should be helpful to avoid pitfalls.

The second vital factor conducive to maintenance of smooth relations is that the General Manager should constantly keep in view that he has dual responsibility. One is that he has to be as efficient in the business operations of the cooperative as any other type of business and the other is that he must strive to retain the cooperative character of the organisation. Since the Board is responsible to the General Body who repose confidence in it for efficient service consistent with cooperative practices, any other priority will not be appreciated by the Board. The directors appraise results of cooperative working by comparing them to other concerns. The efficiency in cooperative sector should, therefore, be comparable, if not superior. The General Manager should be able to project the right image of his Cooperative. His reports should reflect the various activities in a realistic manner. The public relation aspect should be given proper attention.

The General Manager should always be detached and impartial in all his dealings. He should be above board ~~and~~ party affiliation. He is responsible to the Board and not to any individual director. One of his most important duties is that he should try to convince the board with

statistics and data relating to the working of the cooperative so that no one can get any opportunity to challenge the veracity of his statement. The directors do not live in isolation, but have innumerable contacts with the growers and the producers. They are apt to believe what reports they received from some persons, whether they are based on real facts or not. It is for the Manager to dispel these doubts, if any, and convince in logical and subtle manner all those who have any ill-based doubts about the efficient working in the institution in his charge.

The promotions to the management staff should be recommended by the Manager on merit and assessment of their performance for which a criteria should be fixed. Although the General Manager should observe strict discipline within the management, yet he should be sympathetic and courteous.

CONCLUSION:

For the smooth and efficient working of a cooperative institution, the Manager should enjoy full confidence of the Board of Directors. The Directors should not retain to themselves too detailed control of the business and should not involve themselves in minor matters after delegation of the powers. It may, however, be clearly understood that inspite of the very clear demarcation of powers, the healthy relationship will always largely depend on the personalities of the manager and directors respectively, and the complete mutual understanding of the purpose and objectives of the institution.

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MACHINERY FOR PROCUREMENT

by

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MACHINERY FOR PROCUREMENT

With a view to promote marketing of agricultural produce, federations of marketing cooperatives enter into contracts with various buying organisations for selling agricultural produce on certain terms and conditions. The federations generally act as contracting organisations undertaking all responsibilities of a financial character arising out of the contract. In many cases, the affiliates of the federation are also associated with the formulation of the contract as a result of which their interests are also safeguarded in the contract. Sometimes, however, it is not possible for the federation to do so, as a result of which the contract is signed on behalf of the primaries by the federation, to which the primary constituent units become parties. Of late, many State Governments have embarked upon programmes of procurement of foodgrains as a part of their food policies and some of them have entrusted the work of procurement of foodgrains to the cooperative sector. There is a difference in the systems adopted inasmuch as, in some States, the State Governments are dealing directly with the apex marketing organisations representing the cooperative system while in others they are using the agency of the Food Corporation of India to procure foodgrains on their behalf. There are also instances of the Food Corporation of India using the cooperative marketing societies as agents in some States. It is customary for federations of cooperative marketing societies to enter into contracts with foreign buyers for

supply of agricultural produce like bananas, oranges, onions, etc, after obtaining supplies of the same through their constituent primary cooperative societies. Thus, even when contracts are signed by federations, all arrangements for fulfilling the contracts have to be made by these federations through their constituent primary cooperative societies. Such federations being representative organisations of primaries are closely in touch with the difficulties encountered by primary marketing societies which are their members and the greater the contact of the federation with its primaries and the participation of the primaries in the affairs of the federation, the more realistic is the contract entered into by the federation.

Procurement of supplies by the federation for fulfilling such contracts requires the unstinted loyalty of its affiliate-constituents. The federation can procure required commodities by giving the primary constituents the latitude to buy on its behalf by placing its own funds with them for purchases. The goods thus purchased by primary cooperative societies would have to be approved by the representatives of the federation at a later stage before their delivery to the buyer. In many areas where marketing cooperatives have not developed very much, the primary marketing cooperatives are in need of funds for the primary operation of purchases as they cannot depend on the loyalty of their members for supplying commodities without first being paid for, at the prevailing market rates. In this case, the responsibility of the primary constituent marketing cooperatives is considerably enhanced as the purchases made are to be finally approved by the federation. The federation may sometimes find that the goods purchased do not conform

to the standards laid down in the contract, in which case, the federation has no alternative but to reject the goods already purchased by the constituent cooperatives. There may also be a difference of opinion regarding the standards of grading of produce adopted by the primaries and the federation. In all such operations, the federation generally lays down the standards and specifications for acceptance of goods which would serve as a guideline for the primaries, at the time of purchasing goods. In the purchase of agricultural produce where grading is involved as in the case of foodgrains, the difficulty becomes all the greater. In the case of paddy for example, no two graders can agree on the moisture content or the percentage of weevilled grain in a small sample taken at random. In the case of fruit also, the problem is difficult inasmuch as standards of ripening and maturity vary subjectively to a considerable extent.

It is, therefore, of the utmost importance that federations, while entrusting the work of procurement should simultaneously lay down the standards of grading of produce and describe precisely the fair average quality of goods to be purchased by the constituent cooperatives and indicate specifically in precise terms their norms of acceptance. In order to enable the primaries to perform this function effectively it would greatly help if, in the initial stages, constituent cooperatives perform these functions in the presence of graders trained in the various methods adopted by the federation. It also implies obligations on the part of the federation to issue clear instructions on the basis of samples of fair average quality for the acceptance or rejection of commodities proposed to be purchased through constituent cooperative

societies. For want of this, it is likely that the constituent cooperative societies may be put to a considerable financial loss in case of a difference of opinion on the standards of grading adopted by the two organisations. An alternative method adopted sometimes to overcome this difficulty is that of pooling of agricultural produce belonging to their members by primary marketing cooperatives for being handed over to the federation at a later stage. In this case, the federation is free to accept goods which conform to its standards due to which the fear of financial losses to primaries in case of rejection of goods by the Federation is totally removed.

Procurement is considerably facilitated when the primary societies are involved in the programme right from the stage the contract is discussed with buyers. It is easier for the federation to obtain greater support from the constituent cooperatives when the objective is to market the produce of members of the affiliates of the federation. The problem arising out of such an arrangement is that the affiliates may not be satisfied with the price paid by the federation for the members' produce. Procurement of commodities of a good quality becomes difficult when the affiliates have a feeling that the price paid by the federation is less than the one to which they are entitled. In a case like this, the federation fails to carry the primaries with it as a result of which procurement loses its cooperative content and becomes a matter of procedural formality between the federation and its constituents. Thus, the price paid for the commodities procured, acts either as an incentive or a damper on the enthusiasm of the affiliates. The federation cannot procure the required supplies through its constituents in a market where the prices of commodities

procured, rule higher than the one paid for by the federation. There are instances of federations not having been able to procure the required commodities due to a difference in the procurement price and the market price. It is therefore quite essential to ensure that the price paid by the federation for procured commodities is at least on par with the prices ruling in the market for the same commodities.

Funds: The procurement of commodities on behalf of the federation at a price indicated by the federation is considerably facilitated if the federation also arranges for putting the primaries in possession of funds before the operation of procurement commences. In some cases, the federation expects the primaries to pay the growers and invest their funds till the goods are passed on to the federation after verification. The federation may not be willing to part with funds for fear of the same lying idle with the primary cooperatives if the latter are not able to procure required quantities. One of the practices followed is that primary cooperative societies buy on behalf of the federation and draw bills on it which are honoured by the federation. If the federation feels that the primary cooperative societies should initially invest their funds, it would be necessary for the federation to take the interest on the investment of the primary societies into consideration while deciding upon the commission to be paid to the primary societies for undertaking this function. The system has its disadvantages also, inasmuch as the constituent primaries in case they are to lock up their funds, are likely to be inclined to pay greater attention to their normal business with their own funds than to the procurement functions to be performed on behalf of the federation. It

would therefore be in the interest of the federation to arrange for remittance of funds in advance and enable them to operate on its behalf in a successful and effective manner.

The primary constituent cooperative societies which act as procurement agents on behalf of the federation have to perform a number of functions commencing with reception of the produce, grading, weighment, payment, packing and despatch as per instructions of the federation. Each of these functions is technical in the sense its satisfactory performance depends on the extent of availability of developed skills. A major procurement operation, in order to be successful, has to be preceded by adequate arrangements for training of representatives of primaries in the various operations. For this purpose, it would be desirable for the federation to prepare detailed norms of each of these functions and issue handbooks detailing the various systems it expects the primaries to follow, as, for want of these, a number of variations are likely to be adopted, depending on the availability of technical personnel and sometimes also of equipment. At the level of the federation adequately trained senior persons should be entrusted with the function of issuing detailed instructions to affiliates and simultaneously arrange for providing effective solutions to the various problems thrown by the primaries in the work of procurement. Produce received by the cooperatives will have to be stored, for which proper storage accommodation will have to be arranged for. Storage of a number of commodities presents special problems requiring particular care. For instance, for perishable

produce like onions or fruit like banana, satisfactory arrangements for pre-shipment storage will have to be ensured and in some cases steps for construction of cold storages may also be necessary. In the case of oranges for example, arrangements for precooling before transport are absolutely necessary. Arrangements for storage for the transitory period will also have to be properly arranged to suit the particular requirements of each commodity. Some of the procured commodities like foodgrains have to be packed in gunny bags after sieving and a proper method of stacking in the warehouses has to be adopted. So also particular care has to be taken to use fumigation methods for their proper preservation by all possible means. In all such cases it is of the utmost importance that the federation provides for all the equipment like gunny bags, fumigation and anti-fungus material sufficiently well in advance of the commencement of the procurement operations.

An important problem associated with this is that of packing. Packing of fruit presents special problems as the mode of packing varies from fruit to fruit. Bananas will have to be removed from the stem and arranged carefully in cartons while oranges could be packed in boxes in large numbers at a time. Techniques of packing are continuously undergoing careful research and adoption of the latest techniques would be the responsibility of the federation. The federation would have to acquaint the primaries with the latest developments in the field and teach them to make use of them by arranging special demonstrations. Packing of commodities would necessitate a good deal of planning. In the case of fruit gardens, special sheds will have

to be erected and arrangements for handling of fruit would be necessary by providing mechanical devices like conveyor belts, etc.

Transport: In commodities which are durable, the federation would be issuing orders for delivery of procured commodities according to the demands received from time to time. With proper arrangements for storage, the primaries would not be confronted with the problem of deterioration of produce. However, in the case of perishable commodities, quick transport is the essence of business. The problem is all the more acute if the commodity procured is subject to fast deterioration as in the case of bananas. In underdeveloped countries special arrangements for transport of fruit do not exist and the only mode of quick transport available is by road in motor trucks. Stacking fruit in motor trucks requires proper attention particularly if the fruit is intended for export. Special care will have to be taken to ensure that fruit is not damaged in transit. There is always a tendency on the part of primaries to expedite movement of commodities to the destination irrespective of its condition during transit because of lack of experience of handling fruit. In such cases, it is all the more necessary for the federation to arrange for quick and reliable transport for the safe delivery of procured commodities. Refrigerated transport would be ideal for fruit and vegetables. Greater precaution has to be exercised in this case as transport of fruit in refrigerated vessels requires proper preservation right from the stage of cutting to the stage of loading. In the case of commodities which are not perishable transport by rail could also be arranged. Thus procurement of

commodities by the federation both for domestic and foreign markets is greatly facilitated if there exists a network of efficiently managed primary cooperatives which have a thorough knowledge of the techniques of purchase, storage, preservation and transport.

The success of all these operations depends to a large extent on the performance of the constituent primaries under the guidance of the federation. It would greatly help if the federation keeps its own personnel in the initial stages for supervising the various operations in constituent cooperatives which are inexperienced. In the case of cooperatives which are more efficient, the federation can consider splitting up of the contract amongst a number of primaries.

The most important problem is to ensure the loyalty of the members of primaries, who are likely to be tempted to sell their produce outside the cooperative fold either due to vicinity or a better price or by way of an obligation already incurred.

Many of these problems could be solved satisfactorily if the system succeeds in winning over the loyalty of its individual members to their constituent primaries and in turn of the constituent cooperative societies to the federal organisation. The objective of the federation to promote cooperative trade in various commodities and to ensure a better price to the grower by selling his produce would not be served unless the federation receives for sale goods of the best quality from the primary constituent cooperative societies. Thus, supply of commodities of good quality, both for internal and external markets, is ultimately the responsibility of the constituent units of the marketing federation. The primary cooperative societies find it

difficult to procure successfully the produce of their members because of the various disadvantages and handicaps under which they work. Some of them are located in the interior where facilities for transport and communication are generally inadequate. They cannot influence the market by their operations as the quantity of produce handled by them is comparatively small. The federation can procure a better price for their goods if the constituent cooperative societies pool a substantial bulk of their members' produce for sale through the federation. The federation can succeed in developing new markets for agricultural commodities only if it is backed by the constituents with their unstinted loyalty and cooperation. In the initial stages the demand on the loyalty of the primaries as well as of their members by the federation is naturally bound to be considerably heavy.

Price and Profit-Sharing : Procurement of agricultural produce of the right quality is facilitated if the prevailing market price is paid. Outright purchases at the market price involves considerable risk to the federation which has to lock up its funds in purchases. Moreover, the federation would be expected to share the resulting profit with its constituents in proportion to the produce pooled by them. The tendency noticed occasionally on the part of individual members to insist on payment of the market price for their produce at the time of selling it to the federation and also expect the federation to give them a share of the profits in the transaction would create insurmountable difficulties in furthering the system of cooperative trade from the

primary level to the apex. It would not enable the federation to have adequate reserves by forcing it to part with all its profits amongst the primaries and in the event of a fall in the prices of commodities procured, the financial loss to the federation would be considerable with no reserves to fall back upon. The logical corollary of the principle of sharing of profits of procurement has to be accompanied by a readiness on the part of contributors to the pool to share the losses arising out of the transaction even by accepting a price less than the one prevailing in the market. Moreover, procurement of commodities on the basis of outright purchases at prevailing market rates does not conform strictly to cooperative ideology inasmuch as there is absence of sharing of business risk as the entire risk is borne only by the federation. A proper system to be followed would require members of constituent societies at the primary level to pool their produce and pass on the same to the federation at the highest possible price against contract or in the open market. In that case, however, it would be the responsibility of the federation to devise ways and means to ensure that the produce thus pooled by members is sold at the maximum price. Creating and fostering a sense of loyalty of members to the federation is thus the essence of the problem. Development of this loyalty could be facilitated by the federation acting in a businesslike manner by advancing upto 90% of the value of the commodities procured at the ruling price to the contributors and settling their final accounts in as short a period after the transaction as possible. The existence of a number of competitive private buyers in the market would also affect the working of the cooperative system

by weaning away a major portion of the arrivals in the market. In the face of this competition, the federation would have to exercise a greater care in winning the loyalty of the members of primaries by adequate purposeful action directed towards this goal.

It would not be out of place to refer here to the example of banana growers' cooperative societies of the Western Region of India. These cooperative societies which have been working for the last twenty-five years have succeeded in getting the unstinted loyalty of their grower-members in selling bananas in the terminal markets because of the system of distribution of sale proceeds adopted by them. All member-consignors of bananas are eligible to participate in the sale realisations of bananas consigned by them irrespective of the damage to their produce in transit from the assembling stage to the terminal market. The fact that a cooperative society pays a member even if his produce is not sold in the terminal market because it was totally damaged or because it could not be sold at a fair price due to its being partially spoiled, encourages the members to give their unstinted cooperation to their cooperative society as the principle of averaging helps every member who joins the pool. The success of the cooperative cotton sale ginning and pressing societies is also due to the principle of averaging and pooling followed by them in the disbursement of sale proceeds. There are however enough temptations in the market even for a member cultivator particularly in an economy which is semi-feudal and not highly monetized for a primary grower to sell his produce to an agency other than his own cooperative and unless adequate steps are taken to create a feeling of loyalty and nourish it by practical measures deliberately adopted

for the purpose, promotion of trade through the cooperative system would not succeed. A proper system of distribution of sale proceeds will have to be devised providing for quality rebates on the basis of grading of produce offered by the members. The federation will have to ensure that members are persuaded to deliver graded produce by offering them an attractive price. It would be the responsibility of the federation to create conditions in which the members learn to be loyal to the system failing which, by themselves, it would not be possible for the membership to practice the canons of Cooperation.

The other important problem in the procurement of commodities is the development of business acumen and sound management practices in the primary constituent cooperative societies. A primary constituent cooperative society is likely to be under pressure from the local group for accepting goods of sub-standard quality for being delivered to the federation against its procurement orders. Thus sometimes it is likely that the constituent cooperative society may adopt a short-sighted approach and try to please its membership at the cost of financial loss to the federation. In the initial stages it would be necessary for the federation to appoint its own staff which would work as observers and watch the various operations performed by the primary cooperative society. In the initial stages, the primary societies will require the constant guidance of the federation and a careful supervision at all levels. Primary societies may not possess adequate staff for performing their obligations. Sometimes the staff in the employ of the primary cooperatives may not possess the required skills for undertaking the functions expected of them. In such an event the federation would suffer due to the failure of the constituent

cooperative units. It is, therefore, in the interest of the federation to undertake special programmes for assisting the primary societies in developing the required technical skills amongst their primaries by chalking out special programmes for technical training.

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INTERNAL ORGANISATION OF A COOPERATIVE MARKETING FEDERATION ... A
CASE STUDY OF JAPAN

by

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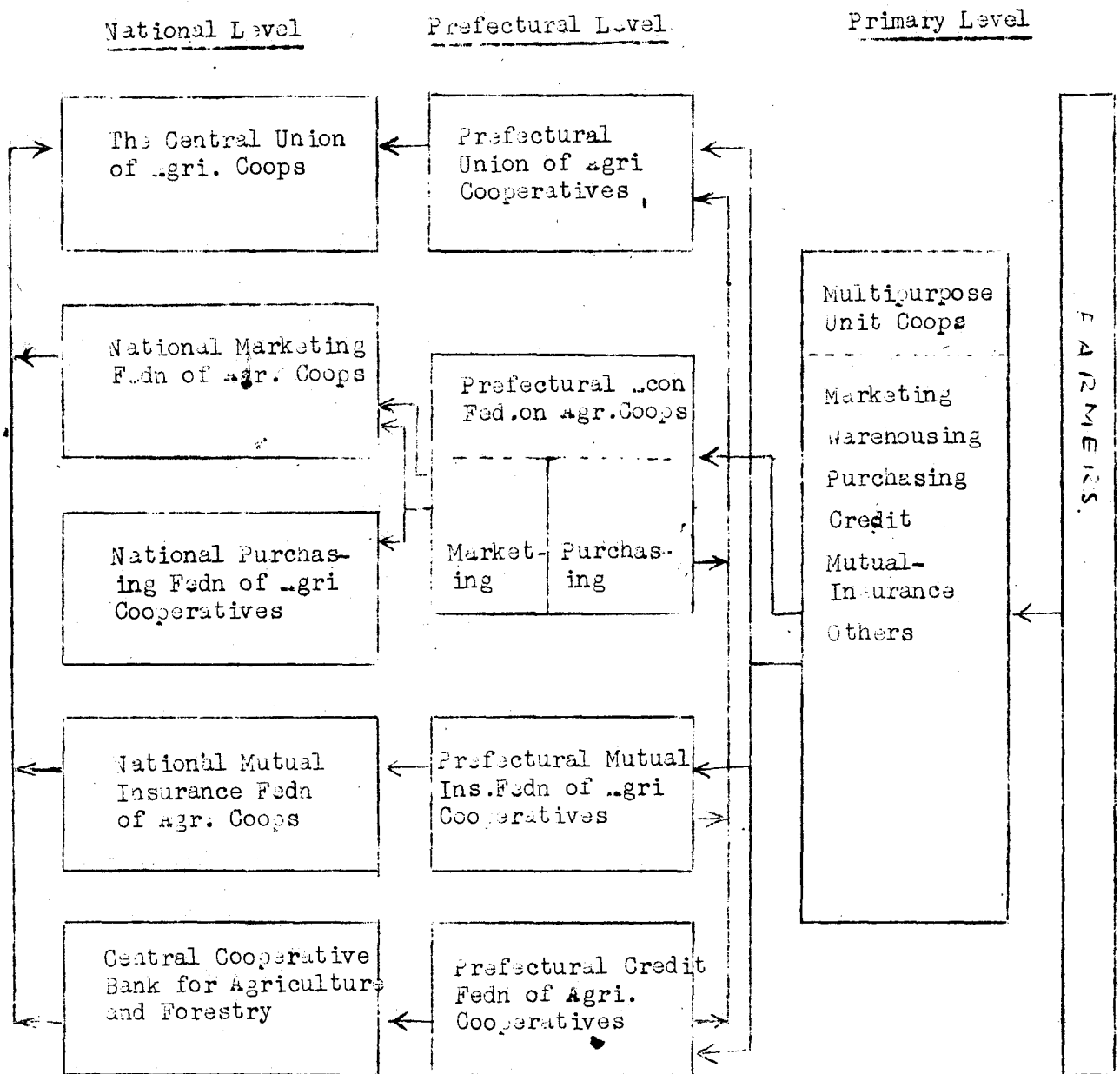
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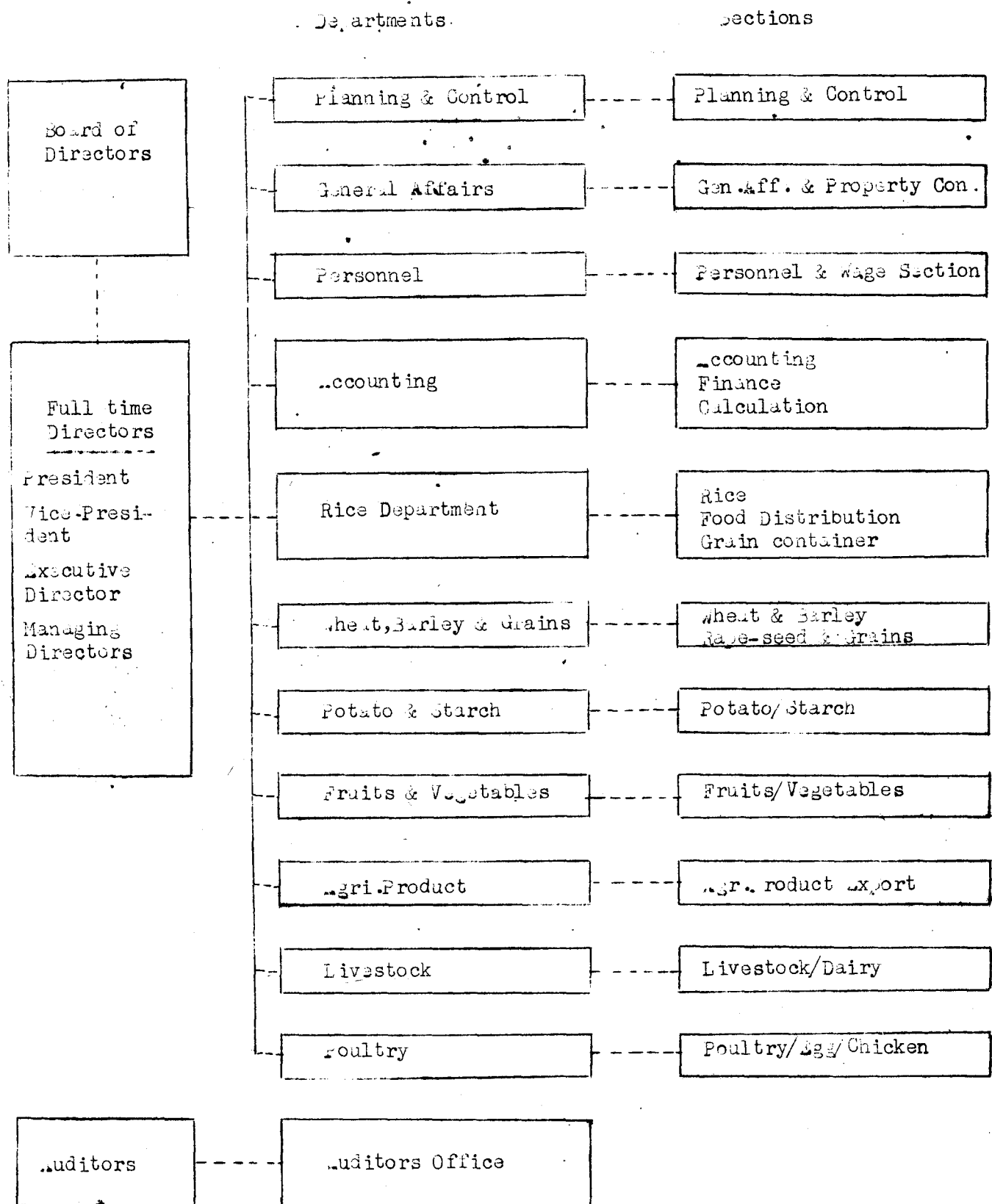
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ORGANIZATIONAL SET UP OF MARKETING IN AGRICULTURAL COOPERATIVES





Besides these department the Federation has collection and sales offices in five major cities, such as Sapporo, Tokyo, Nagoya, Osaka and Fukuoka.

BUSINESS FACILITIES OWNED BY THE FEDERATION, WHICH ARE TO UNDERTAKE THE BUSINESSES LIKE PRODUCTION, PROCESSING, STORING, MARKETING, DELIVERY ETC. AND WHICH BELONG TO RESPECTIVE DEPARTMENT OF HEAD OFFICE OR BRANCH OFFICE OF THE FEDERATION

TYPE OF FACILITIES	LOCATION
Agricultural Warehouse	Tokyo, Nagoya, Osaka
Fruits & Vegetable Market	Tokyo
Fruits & Vegetable Sales Office	Tokyo, Osaka, Kyoto
Export Office	Hongkong
Meat animal Sales Office	Tokyo, Yokohama, Yokkaichi and other 11 places
Breeding-pig Centre	Ibaragi
Farm	Aichi
Egg Sales Office	Tokyo, Nagoya, Kyoto, and other 9 places
Meat Chicken Sales Office	Tokyo, Nagoya, Kyoto, Osaka, Kokura
Breeding-chicken Centre	Tochigi, Shiga, Saga

TECHNICAL SERVICES FOR AFFILIATES

P.E. Weeraman
Commissioner for Cooperative Development, &
Registrar of Cooperative Societies
Government of Ceylon
Colombo

South-East Asian
EXPERTS CONFERENCE ON COOPERATIVE MARKETING
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Regional Office & Education Centre
6 Canning Road, New Delhi-1

NATIONAL COOPERATIVE UNION OF INDIA
72 Jorbagh Nursery
New Delhi-3.

TECHNICAL SERVICES FOR AFFILIATES

P.E. Weeraman, Ceylon.

Cooperative Marketing connotes both the sale of goods as well as the purchase of goods. So, whilst to one the term "Marketing" means the purchasing of one's requirements of food etc., to another it means the sale of his produce. As Mr. J.C. Abbot has put it in his book entitled "Marketing Problems and Improved Programmes", Marketing means "all these business activities involved in the flow of goods and services from production to consumption." When these activities are conducted on the basis of Cooperative principles they are termed Cooperative Marketing.

As marketing includes both purchase of consumer articles as well as the sale of produce, there are normally two types of Cooperative Marketing Societies, namely, the Cooperative Stores Society and the Cooperative Sales Society. Of late, in most parts of the world these two types have been integrated into one Multi-purpose Cooperative Society, within which the functions of both producer marketing and consumer marketing are performed.

In the conduct of these activities, whether consumer and producer activities be carried out by separate societies or whether they be conducted by one multi-purpose society, cooperative primary societies in limited areas come up against problems that are difficult of solution by themselves, because they relate to matters that concern other similar societies and so a solution must be found that is satisfactory to all societies faced with the same problem. Moreover, it would be more economical to solve such common problems along with other persons similarly placed than to do so individually. This results in a need for a secondary society to be set up to solve common problems and to facilitate the operations of the primary societies which have commonly felt needs. This process of federating at higher levels goes on from the

secondary to the tertiary level which is often the national level. In some Countries various types of federations at the national level have combined together to form a Confederation. In this set up, the primary society would be an affiliate of the secondary society, a secondary society would be an affiliate of the tertiary society at sequitur. My task would be to examine the technical services that societies at the secondary or tertiary level should perform for their affiliates at the primary and secondary level respectively.

The technical services that these societies could perform for their affiliates would differ according to the type of the secondary or tertiary society. They are of two types, viz. the ideological and the functional. Cooperative marketing societies would affiliate with both types of unions for the advantages such affiliation would entail.

The ideological union could give the following technical services :-

- (1) instruction and training to the members and employees of affiliated societies,
- (2) inspections and audits of affiliated societies, and
- (3) representation of the affiliated societies at higher levels of the cooperative pyramid, or before Govt. etc.

Education should normally be given even before the primary society is legally recognized. This is possible of course only where secondary societies already exist. It will be difficult to find a country which has no secondary societies in its Cooperative Movement. So now, we could expect the secondary ideological union to be there. Its primary task will be that of teaching the prospective members of a Cooperative Society all that they should know at this stage regarding -

- (a) the principles, methods and practices of Cooperation, and

- (b) the law of the land in respect of cooperative societies.

The secondary society should next help the prospective members to draw up a scheme of work, and then to draft the by-laws and working rules of the proposed society and then to fulfil the legal requirements as regards registration. In most countries where Governments have taken upon themselves the task of promoting the Cooperative Movement, Governments have enacted legislation in respect of cooperative societies and set up departments for Cooperative Development. These departments give technical services which should really be rendered by secondary and tertiary societies.

The prospective members of a cooperative society would be far more receptive to the instruction and guidance given them by an existing cooperative organization than to such instruction and guidance given by a Government department. Instruction given by an existing cooperative organization carries with it the conviction that what is recommended has already been adopted and found satisfactory by the very people recommending them and that the recommendation is not being made because the persons recommending have been officially required to do so. The recommendation is being made by one of themselves and by people who have had the same economic problems and solved them in the way now being recommended. Thus, from the very outset the building up of the movement would have been done by the people themselves, and, so, the Cooperative Society built on such foundations would be stronger than a society formed on the recommendations of a body of Government officials, whose task it is to spread the Cooperative Movement.

Thus, I would say that the first technical service of a Cooperative ideological union for an affiliate would

be the giving of necessary instruction and assistance to form a primary cooperative society. Thereafter, at regular intervals it would be the duty of that secondary society to impart instruction to the members as well as the employees of the primary society in order to maintain at the required level the cooperative knowledge of the members, the business efficiency of the committee of management and the diligence of the employees.

The next important form of technical assistance that an ideological Union should render an affiliate is the function of audit. Although in most countries of the Asian region Governments have taken upon themselves the task of auditing the accounts of co-operative societies, the ideal position would be that these audits are carried out by the secondary societies with only overall supervision by the Government to ensure that audit is done regularly and that privileges granted to Co-operative Societies are not abused. The ideological Union would be best fitted to do this work of audit, being a body concerned with the promotion of co-operation and not being itself engaged in business. It could arrive at conclusions objectively, not being directly connected with the business of the primary societies. More than one type of secondary society will be concerned in the business of a primary society. For instance, a primary marketing society would be an affiliate of both the secondary marketing society as well as a secondary co-operative bank. Both these secondary societies would be concerned with the business of the primary society. How co-operative the primary marketing society is would be of great interest to the secondary marketing

society because the marketing structure would not be on firm cooperative foundations if the primary society is really not functioning on cooperative lines. If the primary society is only a cooperative in name but is really a society of persons who are themselves middlemen, the secondary society's foundations would be on fast sinking ground. Therefore, it is necessary for the secondary society to know the position of the primary society in this regard from time to time. Similarly the financing agency must know the financial stability of the primary society. Therefore, an audit should be carried out by the secondary cooperative bank from time to time to ascertain the financial position of the primary society to which the bank has lent its money. Just as in the case of the secondary marketing society, the secondary financing society would itself become weak if the financial condition of its affiliated primary societies deteriorates. Such audits would be required only periodically. Normally the audit carried out by the ideological union should suffice.

Besides audit the secondary ideological society should assist the primary by regular inspections. The secondary society should have trained personnel for this purpose. A periodical inspection by a secondary society will be of great help to the committee of management of the primary society. A committee member of the primary society, being generally a person of limited attainments, will not be in a position to know the trend of the society's business, and even whether the society is functioning within the law and adopting the necessary safeguards to prevent frauds etc., on the part of its employees and office-bearers.

This function of periodical inspection is performed in most Asian countries by Cooperative Departments, but, here too, the ideal would be for the ideological union to give these technical services. Then again there are primary societies which are unable to employ competent book-keepers. The ideological union should employ trained personnel for the purpose of writing up the books of the primaries. Itinerant book-keepers employed by secondaries have proved of immense value to primary societies in India and elsewhere. Then again it would be of immense value if the ideological union would

maintain a running audit of the primaries. This is very necessary in the case of primary societies in backward areas. Some cooperative departments do this work as well, but it would be best for the ideological union to perform this function. In all these matters it would be well for the Cooperative Movement to provide from within itself the technical services that are now given by the Cooperative Department. Otherwise the prospects of de-officialising the Cooperative Movement will remain very remote.

The task of representing the Cooperative Movement at the national level and in negotiations with the Government etc., should be performed by ideological tertiary societies, normally termed federations. The ideological federation could run cooperative training institutions at the national level to provide technical cooperative knowledge as well as training in business management. It could also do research and study the trends of the Movement in its own country as well as abroad.

The functional unions too have their share of technical services for their affiliates, namely assistance, Guidance and Representation in respect of the business activities of the affiliates. There would appear to be three broad aspects (i) equipping the primary societies for their proper functioning, (ii) assisting them with information and guidance to ensure the profitability of their undertakings, and (iii) making representations on behalf of the primaries in respect of the problems common to these primaries.

As regards equipping the primaries, the functional union could render several technical services in the interests of economy and standardisation. With its trained personnel the functional union could help the primary in the layout of its business premises and in matters such as the choice of a site and designing its buildings.

The secondary or tertiary functional society could assist the primary societies in regard to the construction of buildings and the installation of machinery required by the primaries by providing type plans, architects, engineers, etc., all with a view to assisting the primary society to get the best for its money. In regard to machinery the technical services of the functional union would not end with the mere installation of machinery. The functional union should maintain a regular inspection of the machinery, so that

- the primary society gets the benefit of expert advice from time to time. All these would be in the field of equipping societies for doing business.

The functional union should perform a host of functions as regards the business activities of the primaries. The functions of a primary marketing society are threefold: assembly, preparation for consumption and distribution. The secondary functional union could be of immense assistance by rendering technical services in respect of these functions. These major marketing processes render a number of subsidiary services necessary: viz., transport, storage, grading and standardization, packaging, bringing buyers and sellers together, financing and risk bearing. In all these matters the functional union could give technical assistance to its affiliates.

In regard to transport, the secondary society could help the primary in several ways, such as helping it with technical advice to purchase vehicles and thereafter to maintain them. Regular inspections of the transport belonging to a society would be a valuable technical service rendered by the secondary union.

Market intelligence and market research are important aspects of both consumer and producer marketing. An apex organisation could render very useful service in this regard. Testing out a product, research in consumer preference etc., should be undertaken by the apex marketing organisation.

Another technical service that could be rendered to an affiliate is in regard to pricing. The secondary functional union could keep the primary society well informed of market fluctuations and give advice in pricing. It could also advise the primary society on its financial policy. The various forms of investment and loans and the various types and sources of financial assistance are usually not within the knowledge of the primary society. It is the secondary society that should serve as the information bureau of the affiliated societies.

The secondary functional union could also function as a consultative body, whilst at least at the national level there could be a consultation service set up by the tertiary society. The tertiary or national level functional federation could establish grades and trade

marks in specified products and make specialist services available. The tertiary functional federation could undertake the training of employees in carrying out the business functions of the primaries. This would be complementary of the cooperative education given the employees by the ideological federation. The functional federation should also set up a department of Public Relations. That department should maintain a close liaison with the local press and ensure that a correct image of the movement is projected to the members of the primaries in particular and the public in general.

Many examples could be given of secondary organisations providing technical services of this type. To cite a few, the Milk Marketing Cooperative Organisation of Sweden provides besides other services, technical advice as regards buildings (designing and lay out, plans and costs) dairy bacteriological testing services, laboratory services, consultation services regarding management, production, storage and distribution. The Danish Central Milk Marketing Organisation maintains laboratory testing services, warehouse inspection services, advisory services as regards cattle diseases, services for the prevention and cure of bovine tuberculosis, registration services for livestock. The California Food Growers' Exchange maintains a Field Department which carries out regular inspection services of the local packing houses and advises them on grading and standardisation. The Exchange also maintains a Pest Control Department and a Research Department which helps with advice regarding agricultural machinery, cultural methods, fertiliser and seed, development of new products and processing techniques. The CWS of England provides through its Marketing intelligence and Marketing Research Department a comprehensive Intelligence Service which helps the affiliates in respect of price trends, production trends, consumer demand patterns, sources of competition, etc. They also conduct research in respect of consumer preferences, packaging, processing, etc., and pass this information down to their affiliates. The Technical Research Department of the CWS concerns itself with all scientific and technical services. This Department undertakes analytical investigations and research investigations and has

technical control of production and maintains quality control of all goods produced through their factories and those of the primaries. It provides consultation services in regard to management, storage and distribution and provides regular training programmes for all types of employees.

Most well established apex organisations maintain advisory services regarding accountancy and costing. They prepare accounting systems suitable to the primaries and prepare operational statistics for each affiliated society.

Another technical service that would come within the scope of guidance is that of managing weak societies for temporary periods in order to put them on their feet. In a truly independent Cooperative Movement there would be no room for the government to step in for the purpose of rectifying matters although it would appear obligatory on governments which have sponsored the Cooperative Movement to do so. Modern cooperative legislation in many countries provides for the Government to supersede committees of societies which are badly managed with boards of management nominated by the Registrar of Cooperative Societies. In an ideal set up, however, this supersession should be done at the instance of the general body of the society itself. The society should invite the union to nominate a committee of management for a given period for the purpose of rectifying matters in the primary society. In such an instance the secondary union could render a very useful technical service by appointing a board of management to replace the society's committee of management in order to take necessary action to put the society back on its feet.

The third aspect of technical assistance in the field of business would be representation of the affiliates where technical representation is necessary.

Another aspect of this representative function would be the publicising of the activities of the affiliates. The issue of publications and advertisements relating to the work of the affiliates and the carrying out of propaganda would be technical services most appropriate for business Federations at the national level.

I have attempted above to summarise the technical services that Cooperative Marketing Unions and Federations as well as ideological unions and federations could give the cooperative marketing societies affiliated to them. It might be useful to note here that in both producer and consumer marketing, the purpose of the primary societies joining together in Unions and Federations is to make the services rendered by the primary society to its members as useful as possible, both economically and morally. The extent of this usefulness would depend to a large extent on the usefulness of the ideological and functional unions and federations to their affiliates, the primary societies. This degree of usefulness would depend in the case of the functional unions and federations on their business acumen either in selling on behalf of the Producer Societies or in purchasing for the consumer societies, and in the case of the ideological unions on their ability to inspire the members and the employees with cooperative feeling. However, well a secondary or tertiary functional organisation may function in regard to its business of selling or buying for its member societies, the proper functioning of the primary society will depend to a large extent on the latter's adoption of correct methods, practices, techniques and procedures. The extent to which these methods and techniques would be adopted by the primaries will depend on the extent of the influence that secondaries and tertiaries could have on their affiliates by means of their technical services both in the business and ideological fields. Therefore the services most needed for a primary to function properly are technical services. Therefore it could be said that the most important aspect of the work of a secondary or tertiary cooperative organisation is the proper rendering of technical services to its affiliates.

THE IMPROVEMENT PROGRAMMES OF AGRICULTURAL PRODUCTS

by

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C O N T E N T S

1. Introduction
2. Importance of the Improvement in the Quality of Agricultural Products
3. Present Status and Problem Areas in the Improvement of the Quality of Agricultural Products
4. Measures for the Improvement in the Quality of Agricultural Products

1. Introduction

The improvement in the quality of agricultural products enhances their market value and can be achieved by means of effective addition of value to the products.

Such efforts for improvement are inevitably required before the products reach the hands of consumers and the economic and social consequences of the efforts are also significant.

The necessity of quality improvement arises from various causes, such as attrition of quality in the course of circulation of the products from producer to consumer, and the variety of tastes of consumer.

By adding value to the products, producer and merchants minimize the quantitative and qualitative destruction, attrition, and spoilage of products thereby supplying improved quality goods to the final consumers. Consequently, the improvement in the quality--by means of value additions--is indispensable in the realization of the efficiency of circulation and the stimulation of the sale and consumption of the product.

Furthermore, its effective realization ultimately brings about the promotion of economic and social well-being by providing producer and merchants with more income and by satisfying the needs of consumers in their purchase and consumption of the products.

On the other hand, however, the quality improvement by means of value addition entails the higher sale price of the products due to

the increase in the cost of production. Therefore, the above mentioned stimulation of sale and consumption does not necessarily follow when the increased price level demands much burden on the part of consumer.

Therefore, it is hard to expect the above mentioned economic and social consequences unless the means of increasing efficiency is provided in economic and technical aspects. It is simply because the results of the quality improvement are collectively reflected in the consumption prices and the final consumers are affected in their purchasing behavior.

Planning of quality improvement means systematic endeavor toward efficient accomplishment of the objectives of quality improvement in economic and technical aspects. In the case of agricultural products such an effort is particularly called for in view of the large size and propensity to decay peculiar to agricultural products.

Major means of improving quality of agricultural products are standardization, grading, processing and quality control. Unless such means are effectively acquired, the desired results can not be attained.

2. Importance of the Improvement in the Quality of Agricultural Products

Effective accomplishment of quality improvement entails significant economic and social consequences by stimulating the circulation,

sale and consumption of the products, by increasing the income of the producers and merchants, and by higher satisfaction of the tastes of consumers.

In Korea, as a developing country, agriculture occupies an important position in the national economy in terms of her population structure (i.e., 55% of the total population, 1965) and total national income (38% of GNP, 1965). Consequently, it is of paramount importance to seek economic development and national well-being on the basis of economic betterment in the field of agriculture.

Factors affecting development of agriculture are various: land, capital, labor, technique, and management. Rational allocation and utilization of these factors of production bring about increase in production.

However, if quality improvement and control do not accompany increase in production, the increase does not necessarily entail agricultural development. In Korea, many problems are yet to be solved in improving agricultural production, but still more problems are left to be dealt with in improving the circulation of the products. Lack of proper knowledge about the quality improvement among the general population and deficiency of necessary person and technical elements are regarded as the stumbling blocks in the course of agricultural development and enhancement of national welfare.

The reason why the quality improvement calls for special attention in Korea is that it is expected to bring about the following effects in relation to the improvement of circulation of agricultural products, agricultural development, and progress in national welfare.

In the first place, it will increase the income of farm households. Since the farming population occupies a preponderant proportion in the national population structure, the increase of income on the part of farm households has been one of the most urgent tasks to be tackled in Korea.

In Korea, however, agricultural production has long been carried out on the basis of family self-sufficiency, and proper knowledge of producing quality products and getting them to market has been neglected in the minds of producers. This implies that there is lots of room left for farmers to increase their income by improving the quality of their products.

Secondly, quality improvement will stimulate the export of farm products. In Korea, the agricultural products carry preponderant weight in the total export structure, i.e., 38.7% (as of 1966) of the total export. Therefore, the increase in the export of agricultural products means general increase in the amount of total national export. In recent years, demands for the agricultural products from foreign countries, be they for food or industrial crop, have been diversified in taste and sophisticated in quality.

In view of such phenomena, it is a sine qua non for Korea to improve the quality of agricultural products in her effort to enlarge the scale of export.

Thirdly, it will improve the food consumption in Korea. Attendant to the increase in income and wage, betterment of education, and functional differentiation of social system, there has been an increasing tendency to demand better quality foods and prepared foods. Desire for improving the standard of food has been greatly increased in the wake of rapid social change spurred by successful economic development plans. The production and supply of quality food will meet such desires for improvement of food consumption and subsequently it will also stimulate the development of processing industry.

3. Present Status and Problem Areas in the Improvement of the Quality of Farm Products

In Korea, efforts for quality improvement of farm products have not succeeded in achieving expected effects despite their importance. The present situation and points of issue regarding the practice of standardization and grading of farm products, processing of farm products, and intensification of quality control, being major means indispensable in improving quality, will be elaborated.

1) Standardization and Grading

The standardization of contents, packing materials and packing methods as well as the grading of quality, shape, size and appearance safeguard the relationship between the quality and the price of products. These spur and simplify the transaction of products, enhance the reliability of the commodity, and they facilitate the circulation of capital and the obtaining of accurate market information, thereby accruing advantages in promotion of transactions.

In Korea, standards for standardization and grading are determined by the Regulation for the Inspection of Farm Products Standards promulgated by the government, and the actual inspection is conducted according to the Farm Products Inspection Law and its Operational Regulations. However, the governmental inspection is limited to the government purchased commodities, import-export items, and joint marketing products of agricultural organizations. The inspection of other products are left to the individual discretion of sellers and buyers of the products. Accordingly, most of the farm products transacted in ordinary markets are immune to the government inspection, and traditional criteria based on everyday marketing experiences are applied in grading processes.

Furthermore, even in the case of governmental inspection or the autonomous inspection of agricultural cooperatives, thoroughgoing inspection has not been conducted due to the lack of scientific inspection because of the shortage of personnel and funds.

Limited governmental inspection and traditional grading practice among the producers and merchants on an occasional basis, therefore, are detrimental factors in the successful execution of standardization and grading, and in obtaining secondary effects attendant to them, in Korea.

2) Processing of Farm Products

Processing of farm products means adding utility value to farm products by applying physical, chemical and micro-biological methods. Farm products are used primarily as the food of human beings and they have peculiar characteristics as commercial items such as large size or variety of form, and propensity to decay.

Processing of farm products, therefore, facilitates various physical processes such as transportation and storage by minimizing the size or preventing the decay and attrition of quality, and, in this way, it helps in supplying commodities better adapted to the needs of the consumer.

In Korea, rice and barley being the staple items in agricultural production and food requirement, rice polishing and flour milling have long been flourishing as the major farm products processing industry. In addition, processing industries for marine foods, raw silk, and cotton also have long been developing.

In recent days, demand for processed food has been increasing due to the rise of income level, and this phenomenon gave rise to

the development of canning industry (for beef, milk, persimmon, tomato, apple, pear, grape, apricot, orange, etc.), ethyl alcoholic industry and starch industry based on sweet potatoes as raw material, processing of edible oil (distilled from sesame, cotton seed, soy bean, rape, red pepper seed, mustard seed, etc.), processing of soft drinks (using tomato, apple, grapes) and soy sauce manufacturing industry.

However, the general level of income of Korea still being low, the demand for processed farm products food of high quality is limited to the high income fraction of the population and, furthermore, inadequate availability of capital and lack of processing technique retard the development of processing industries. Limitation of capital and technique is most keenly felt in the field of processing industries for easily deteriorated commodities such as vegetables, fruits, livestock products, and marine products.

As for these commodities, quality deterioration is not successfully prevented and the sale price of processed goods is very high. The problem of solving difficulties in this field, therefore, remains as one of the major tasks to be dealt with in Korea.

3) Quality Control

The purpose of adding value to farm products is to produce and sell better quality farm products. Without proper quality control, however, the objective can not be attained in the course

of value addition.

Farm products have special qualities inherent in their production, distribution and consumption and they need proper value additions in space, appearance and time in order to render them acceptable to the final consumer as quality goods. They also require strict quality control. The quality control of farm products, among other things, involves the harvesting and drying methods, thoroughgoing supervision of cleaning, selection, packing and grading, the improvement of facilities and methods of transportation, storage, and preservation, the improvement of processing facilities and technique, and the improvement of tests, researches and inspections concerning the quality and sanitary condition. Effective quality control contributes to decrease of waste, increase of reliability of commodities, creation of new demands and enlargement of market.

In Korea, efforts for such quality control are generally neglected by producers as well as merchants. Producers lack business insights, merchants are generally poor and incapable of developing their professional fields, and processing industries are still in the infant stage. These factors combined with the lack of institutional and administrative support of government in terms of facilities, capital, and technique run against the development of quality control in Korea.

4. Measures for the Improvement in the Quality of Agricultural Products

Needless to mention, the problem of improving the quality of farm products is very important in the development of agriculture and improvement of national welfare in Korea. The efforts for solving the problem, however, have not been successful due to the inadequacy of given conditions prevalent in Korea. In order to promote the quality improvement effectively, the following measures are to be undertaken.

1) Inspection of farm products must be reinforced.

Standardization and grading can bring about expected results only if scientific inspection methods are applied to all kinds of farm products. In Korea, the number of inspected items is limited and the method of inspection retains unscientific elements. By enlarging the category of inspection items and by improving the inspection methods, standardization and grading are expected to be applied in market transactions.

2) Test and research activities must be strengthened.

In order to minimize the quality attrition in the course of processing of farm products, development of new commodities, and the physical processing manipulations of the circulation, test and researches must be accompanied in parallel. In case of Korea, such research activities are conducted through the Office of Rural Development, but noteworthy results have not been achieved in this

field due to the lack of budget, technicians, and facilities. Measures to strengthen test and research activities are yet to be encouraged.

3) Refrigeration must be widely applied to facilities and techniques of transportation and storage. Refrigeration method is commonly used in the advanced countries in preventing the decay and in maintaining the freshness of commodities even in retail shops. In Korea, however, this method has not been widely utilized due to the high cost and lack of technique. Production and introduction of refrigeration as well as wide distribution of its technical know-how must be encouraged in order to help Korea enjoy its benefits.

4) Knowledge and technique concerning quality control must be widely imparted. Producers, processors and merchants in Korea lack sufficient knowledge of conducting quality control through scientific methods. Guidance in quality control, effective transmission of results of researches and market information, financial support for introduction of new facilities and techniques, education of professional technicians, and establishment of research organizations, these are to be reinforced and encouraged in Korea in an effort to improve quality control of farm products.

5) Closer link must be maintained among the Korean Agricultural Cooperative, the International Cooperative Alliance, and its member countries. The Korean Agricultural Cooperative

carries out many activities as a multipurpose agricultural cooperative and it includes 93% (as of 1966) of total farm population in its membership. The importance of this organization, therefore, cannot be overemphasized.

However, its age still being young (established in August, 1961), it is confronted with numerous difficulties in conducting joint marketing activities due to the lack of experience and immature technique of management. Mutual exchange of experience, technique, and information with cooperatives of other countries through the International Cooperative Alliance will greatly benefit the development of the Korean Agricultural Cooperative Movement.

It is hoped that other member countries also learn from the mirror of Korean experiences. High hope and expectation are placed on the International Cooperative Alliance and its Regional Office as the medium of encouraging the mutual cooperative system.

Working Paper
Session No. 12
January 20, 1967

PRODUCT IMPROVEMENT PROGRAMMES
(Processing, Grading standardisation & Quality control)

by

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Experts' Conference on "Co-operative Marketing"

15 - 21 January 1967, New Delhi, India

organised by

International Cooperative Alliance
Regional Office & Education Centre
6 Canning Road, New Delhi-1, India

National Cooperative Union
of India
72 Jorbagh
New Delhi, India.

AGRICULTURAL PRODUCTS IMPROVEMENT
SCHEME
IN JAPAN

1. For the increase of production

(1) By agricultural cooperatives:

a) Crops Wider use of better variety of seeds, promotion of joint farming and mechanized farming, establishment of production facilities, management improvement

b) Livestock..... Selection of better variety, increase of efficiency of the management

(2) By the State:

Long-term prospect in demand and supply by commodities, execution of necessary measures according to the above prospect, consolidation of land, systematic guidance on techniques for mechanization, price stabilization policies.

2. For the increase of commercial value (Livestock products and fruits & vegetables)

Improvement of packing materials, improvement of distribution system by means of cold chain system, storing and delivery experimentation, new variety

3. Technical guidance (Horticulture and Livestock Research Office)

(1) System

To appoint technical advisors, collaboration with experimental and research institutions of university, national government and prefectural government

(2) Activities

To organize training courses, sending lecturers, consultation services for producers, utilization of radio, TV, wire-communication system, etc., production and distribution of technical materials

4. Market information

Through radio, TV, news papers, monthly organ of the Federation, occasional information by commodities, etc.

Working Paper
Session No.13
January 20, 1967

MANAGEMENT DEVELOPMENT PROGRAMME

by

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EXPERTS' CONFERENCE ON "CO-OPERATIVE MARKETING"

15 - 21 January 1967, New Delhi, India.

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International Cooperative Alliance
Regional Office & Education Centre
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MANAGEMENT DEVELOPMENT PROGRAMME

By Mr. H.A. Desai

- An approach to Manpower planning & Development

1. INTRODUCTION

Like any other planning for material, production and finance, Manpower planning and the development is essential for any growing company. It is a well-known fact that today to get managers of right qualities is the most difficult task. For a firm which has an aggressive personnel also, management development programme should imply a look-ahead in terms of future manpower needs. If a company is able to assess its requirements for management manpower realistically over next five to ten years, one can plan the selection programme at the point of first level management, organize training programmes - on-the-job as well as formal programmes designed to make people efficient in their present jobs as also to enable them to acquire abilities for future jobs and therefore plan to meet future requirements.

2. OBJECTIVE

The objective of such a programme therefore could be as follows:

To measure the performance of each manager, identify abilities which could be utilised in future and to spot areas of weakness which could be developed for future assignments.

To consider future managerial and manpower needs, quantitatively and also qualitatively for growth and expansion and to plan how fast one can meet them from internal resources, from a well organized selection programme and from management training programmes.

To organize and execute internal training programmes to strengthen management skills and recommend good managers to outside training programmes.

3. PRINCIPLES OF MANAGEMENT DEVELOPMENT

There are certain principles on which management development programmes is based:

- A. Development is an individual matter. All development therefore is self development. Management can only trigger off development activity or provide opportunities for development.

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- B. Opportunities for development must be universal.
- C. Present job rather than the promotion ladder should be emphasized.
- D. Development cannot be placed on ideal personality trades. Focus should be geared on the abilities which are needed to do the job successfully.
- E. Responsibility for the development belongs to the immediate supervisor and
- F. Day-to-day work is a major area of development rather than formal training programmes.

4. IN SHORT

In short management development is a term given collectively to a complex of activity. The objective of which is to ensure that as and when the demand for managerial personnel arises there are suitably qualified and developed people ready to fill the vacancy created in future. The plans therefore so organized will be a systematic review of existing personnel for future needs. The appraisal of personnel job, selection from within and from outside, training and development of people etc.

Ultimately the responsibility for any such function belongs to the top management of the company. In preparing and executing such a plan senior managers will of course play the keyrole in the development of their subordinates. The role of Personnel Department being, to carry out the policy matters consistent with the overall needs of the company and to organize specific development activities mentioned as above.

5. METHOD

Under this we shall consider the following future activities:

- A. Consider your existing personnel resources. This will involve collection of information regarding each individual manager about his performance and his potential.
 - (i) Information regarding his qualifications for the present job as also other academic achievements or special scholastic reports related to the job.
 - (ii) Job experience in the present company on various jobs as also experience in other companies. This may be defined in terms of the number of jobs handled by him.

- (iii) Other specific achievements like research or executing experience, publication of articles etc. The above information will be mostly available from the application form and other personnel reports. (Form - 1)
- B. Information in his present job, performance on the job, training and the experience achieved so far, usefulness of such a training and any outstanding abilities which can be utilised or which can be developed for future needs. The information for these aspects will be mostly available from the evaluation forms, or any other specific incidental records maintained for his job performance. The people with whom he has worked and also give objective description of his work performance. A care should be taken to see that specific skills, abilities and techniques are mentioned for every little detail of his job performance. Also it should be seen that job as it is done by him should be well written out. A specimen copy of the questionnaire on the job description and the items involved in the job description is attached herewith. (Form - 2).
- C. Information should be collected either through records or based on personal interviews with him on his ambition, likes and dislikes, his views on the job performance and attitudes to supplement the information on growth potential. His performance review of records and of personal talk should also indicate what are the areas which he could learn, how much and when.

Appraisal forms in any company should give details on the development of abilities of a manager. A specimen copy of such an appraisal is attached in Form -3. If possible this information should also be supplemented by other things like actual record of job, strong and weak points, potential abilities, developmental needs etc.

Attached herewith is a graph of management development programme which clearly shows the areas of resources discussed as above.

6. DECIDE ORGANIZATION REQUIREMENTS

To be able to decide how many vacancies are likely to occur and at what time, the following information should be collected:

- A. Personnel requirements i.e. plans for those vacancies for each year in advance and information for those vacancies. (Form -4) It may be easier to plan such vacancies based on some norms, if one has any, otherwise based on the experience and knowledge of senior managers. Such rules should be broken down levelwise, jobwise as also in terms of functions etc. Some approximation can be done which of course can bear rigorous scrutinizing periodically.

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- B. Collection of information on retirement, wastage of personnel through changes, promotions, transfers, likely exceed of people due to health reasons, replacement of people, regrading etc. to enable accumulate estimation of future needs. It may be necessary to collect information of managers who may not develop and whose service will not be of any use to the company after some years.

It may be necessary to collect information of each job, its present output and the future status. What shape the function is likely to assume in future, it is likely that some or many aspects of the job will change.

7. Having collected information on the resources available from within the company as also the future managerial needs one can easily decide the succession plans as also the development activities. From amongst the list of managers available in the company as also classification of them in terms of promotable, those who are adequate in their present jobs and those who do not meet the requirements of their jobs should be made. Along with such information acquired through the retirement, wastage etc. it will enable management to find out how many people are likely to change or retain their jobs every year.

Based on this information one can find out whether there are sufficiently trained managers who occupy future position, how many should, of what type and for what position, as also how many of such positions can be filled through management training schemes, if one has taken recourse to the scheme. Otherwise the company will have to plan for selection programmes accordingly.

8. Having decided the succession list i.e. who is going to move into what position, one will have to decide as to if a manager is going to move in a position in let us say five years, what all namely, training programmes he should go through, such that at the time he occupies this position he is ready to be a success there.

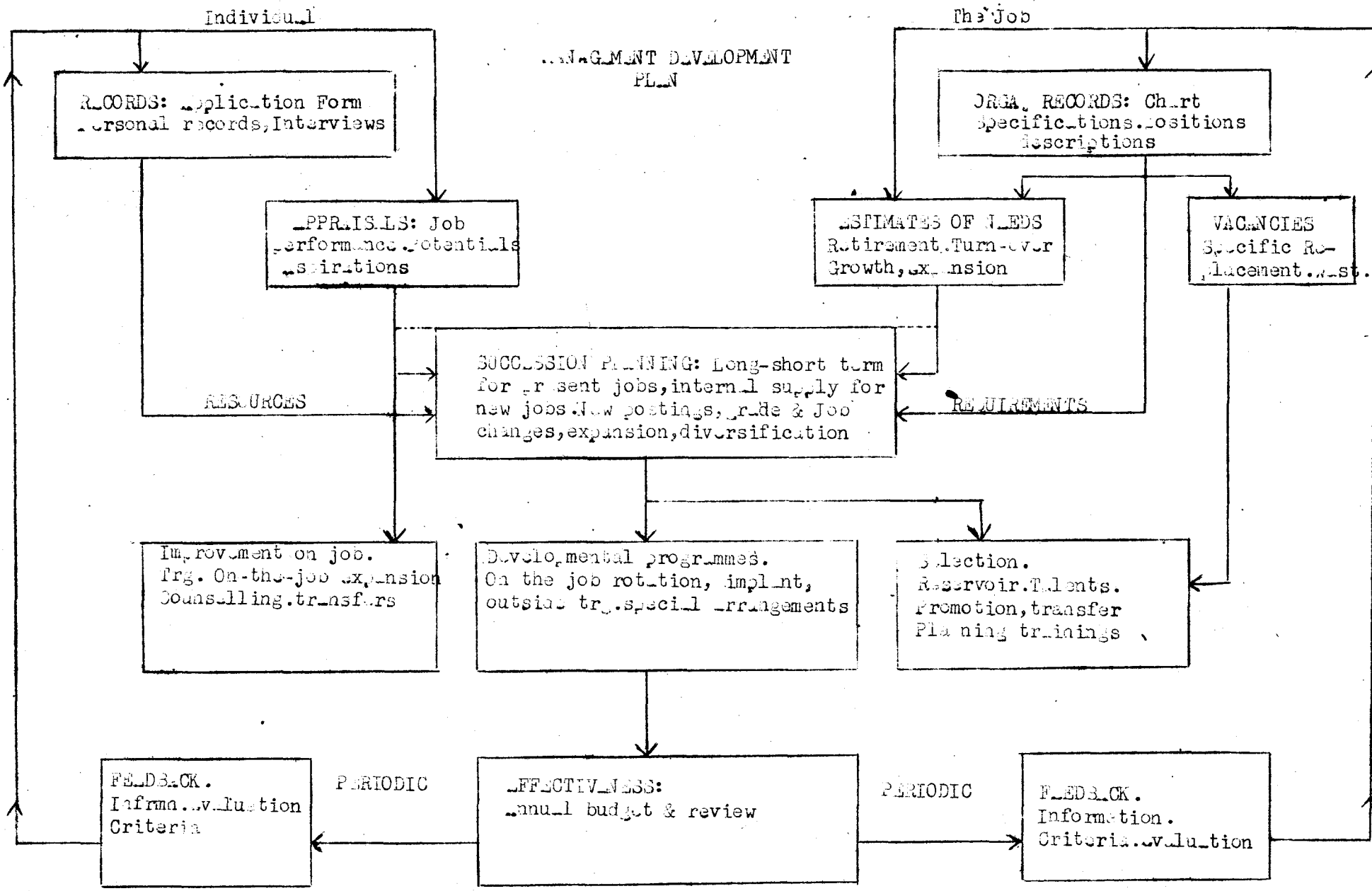
Therefore, one will have to identify the areas, the abilities- present and potential, and the areas of job performance and job changes so that training programmes can be organized accordingly. For example, one may decide to take recourse to on-the-job development for certain types of managers or one may decide to hold a specific ability course, skill oriented programmes internally. Against this one may transfer the person on a suitable job or give him a project work such that he can perform in order to develop him in that activity.

As managers' participation in outside programmes will be time spanned against the needs, developmental abilities and job requirements i.e. if one thinks that such a person is going to occupy a position in future, the time period in between shall be year marked for external training

which he should attend.

It may be necessary to counsel people to guide them properly.

For those who are not likely to move out of their position in few years time, development programmes should be organized to make them effective on their present jobs and to give them opportunities to excel in certain other aspects of jobs. Lastly, training programmes have to be organised for those who are not likely to be successful in future but to uncover areas of abilities which may help them to take jobs which are different from what they are handling now.



PERSONAL RECORD

Name:

Date of birth:

Present Department:

Date of joining:

Qualifications:

- a) Concerning jobs
- b) Others
- c) Specific achievements

Training programme attended:

Experience: (with dates and jobs)

- a) Before joining
- b) In Company

Membership of professional organizations:

Present assignment:

Salary record:

Appraisal Record:

Last five years' summary - Indicate major areas

- 1.
- 2.
- 3.
- 4.
- 5.

Based on interviews - enter

1. Likes and dislikes
2. Ambitions
3. Attitude
4. Learning capacity
5. Out-of-normal comments

APPRAISAL RECORD

Name: Deptt.

Job:

Names of Appraisers:

Date of appraisal:

Performance:

Personality:

Judgement:

Integrity:

Constructive imagination:

Summary - overall remarks:

Strong points:

Weak points:

Potential abilities:

Action proposed:

FORM: 3

Name:

Age:

MANAGEMENT DEVELOPMENT FORM

Areas of Development:

Specific projects, job rotation,
additional job responsibilities planned:

SKILLS DEVELOPMENT PROGRAMME:- Tick the one required improvement

- | | | |
|---------------------------------|-----------------------|------------------------|
| 1) Administrative | 4) Judgement | 9) Delegation |
| 2) Communication | 5) Leadership | 10) Public relations |
| i) Written | 6) Job Knowledge | 11) Attitude and moral |
| ii) Oral | 7) Planning | 12) Creativity |
| 3) Developing subor-
dinates | 8) Decision
making | 13) Tact |

FORM: 4

Division	PERSONNEL REQUIREMENT JUSTIFICATION	Year
Department		Prepared by

Job Title Accounting Code:

Remuneration Appointment Date:

Scope:

Need:

Job Description:

- Basic Functions:
- Responsibilities:
- Accountability:
- Standards of Performance Evaluation:

DEVELOPMENT PROGRAMME
Individual Officer wise

Name: _____

Department _____

Date Prepared: _____

Year	Need	Outside programme		Internal group programme	Individual Programme	
		Type	Details		on-the-job	Other specific

Additional remarks:

Prepared by:

JOB DESCRIPTION FOR EVALUATION

(To be completed by the employee in connection with his annual appraisal)

Employee's name _____

Division _____ Date _____

Describe your job briefly by answering the following questions. Use examples.

1. What are your principal duties?

2. What is your responsibility for costs? For Profits?

3. What is your responsibility for other personnel? If you do not have supervisory responsibility, indicate how you get along with people.

What are your opportunities to display initiative?

5. What are your opportunities for creative contributions?
6. What occasions arise for you to use your own judgement?
7. What are your own long-term ambitions and goals?

Date: _____ Signature: _____

AK/-

WORKING PAPER

January 20, 1967
(2.30 - 3.00 p.m.)

MANAGEMENT DEVELOPMENT PROGRAMME

Alf Carlsson
Director
ICA Education Centre
New Delhi-1

South-East Asian
EXPERTS' CONFERENCE ON COOPERATIVE MARKETING
January 15-21, 1967. New Delhi, India.

Jointly organised by

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre
6 Canning Road, New Delhi-1

NATIONAL COOPERATIVE UNION
OF INDIA
72 Jorbagh, New Delhi-1

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for South-East Asia
Post Box 639, 6 Canning Road, New Delhi-1. India

MANAGEMENT DEVELOPMENT PROGRAMME FOR COOPERATIVES

Alf Carlsson

1. The purpose and characteristics of Cooperation should influence the management development programme.
 - 1.1 The political task of cooperation.
 - 1.2 Direct and indirect influence of cooperatives.
 - 1.3 Characteristics of the cooperative which must be considered.
 2. Recruitment and promotion.
 - 2.1 How future managers should be recruited.
 - 2.2 Various ways of recruitment.
 - 2.3 Promotion.
 3. Training programme.
 - 3.1 General educational level.
 - 3.2 Purpose of training.
 - 3.3 Careful planning.
 - 3.4 Flexibility in the training programme.
 - 3.5 Alternative methods of training.
 4. Activities within the cooperative unit.
 - 4.1 The necessity to get employees interested in the activity of the society or enterprise.
 - 4.2 Planning.
 - 4.3 Collect experience, refresh and develop.
 - 4.4 Information.
 - 4.5 Stimulation and coordination.
 - 4.6 The role of the employees.
 - 4.7 The contact with members.
 5. Finance.

Necessity of integration between training and education and business activity.
-

Statement by Mr. N.N. Kaul, I.L.O. Representative, at the Experts' Conference on Co-operative Marketing, New Delhi, 15-21 January 1967.

On behalf of the Director-General of the I.L.O., I wish to convey most cordial greetings to this Conference of Experts on Co-operative Marketing organised by the Regional Office of the I.C.A.

Ever since its establishment, the International Labour Office has been collaborating with the International Co-operative Alliance - this great pioneering international organisation in the field of co-operation which is now more than seventy years old. The I.L.O. has a full-fledged regional office now functioning from Bangkok, and I feel certain that the two regional offices will have more and more occasions for collaboration in the years to come in the service of co-operative movement in South-East Asia.

As you may be aware, the I.L.O. has an abiding interest in co-operation. The first Director of the I.L.O. had many personal links with the movement in France and Europe. His concept that labour and social questions are closely related to co-operation has continued to underscore the policies and programmes of the I.L.O. in this field. As early as March 1920, a special service was created at the I.L.O. Headquarters in Geneva to centralise information on co-operative matters and to maintain relations

with co-operative organisations and official institutions in many countries, so as to act as an international research, documentation and information centre in the field of co-operation. Over the years, the I.L.O. Secretariat, directly or through its network of offices throughout the world, has continued to collect, analyse and evaluate information on all aspects of co-operative activities, and make it available to interested parties through publications or other means.

In the recent reorganisation of the I.L.O., co-operative institutions have been assigned a very important role, and Co-operative, Rural and Related Institutions Branch at the I.L.O. Headquarters is an important organ of the Social Institutions Development Department at the I.L.O. Headquarters in Geneva.

Co-operative subjects are discussed at technical and regional conferences and meetings of experts, and the I.L.O., by itself, or in collaboration with other Specialised Agencies has been holding training courses and seminars to promote the development of co-operative movement in developing countries.

Since 1952, the I.L.O. has also been helping the co-operative movement through its programme of technical assistance. The Governments of developing countries are recognising more and more the role that a well organised co-operative movement can play in national economic and social developments. The I.L.O.'s programme of technical assistance covers practically all aspects of co-operation. Currently, a project in co-operative marketing

is continuing in Ceylon while another is envisaged in the near future for Burma. Projects in Co-operative education and training are continuing in Burma, Malaysia, Pakistan and the Philippines, while a project in co-operative management is envisaged for the Asian region. I may in this connection make a special mention of the reports of I.L.O. experts who advised the Government of Ceylon in 1953 on the co-operative marketing of vegetables by growers, and the I.L.O. expert who advised the Government of Sarawak during 1961-62 on the improvement of methods and facilities for marketing agricultural produce through co-operative societies with a view to extending their benefits to primary producers.

At the 49th session in 1965, the International Labour Conference discussed the question of "The Role of Co-operatives in the Economic and Social Development of Developing Countries" The Committee appointed by the Conference to examine this question was firmly of the view that the establishment and growth of co-operatives should be regarded as one of the important instruments for economic, social and cultural development as well as human advancement in developing countries. The Conference adopted at its 50th session held last year a recommendation on this subject, which laid down that co-operatives should be established and developed as a means, inter alia, of -

- 1) improving the economic, social and cultural situation of persons of limited resources and opportunities as well as encouraging their spirit of initiative;
- 2) increasing personal and national capital resources by the encouragement of thrift, by eliminating usury and by the sound use of credit;
- 3) contributing to the economy and increased measures of democratic control of economic activity and of equitable distribution of surplus;
- 4) increasing national income, export revenues and employment by a fuller utilisation of resources;
- 5) improving social conditions, and supplementing social services; and
- 6) helping to raise the level of general and technical knowledge of their members.

The Recommendation has devoted a whole section to measures that should be taken to disseminate a knowledge of the principles, methods, possibilities and limitations of co-operatives as widely as possible among the peoples of developing countries, and another section to international collaboration in providing aid and encouragement to co-operatives in developing countries. That the Conferences like the present are designed to achieve the objectives spelt out in the Recommendation is a source of great satisfaction to us in the I.L.O.

The theme chosen for this Conference is most topical as far as developing countries in this part of the world are concerned. Life even in these countries is growing more and more complex, and in order that co-operatives may play their due role, the exchange of views by experts would be of great use to the co-operators in every field, not only in developing countries in this region, but also in other regions.

Agricultural commodities are of great importance in the economy of developing countries, and the great majority of marketing co-operatives deal with agricultural produce, though some handle fish or the output of cottage industries. Marketing co-operatives can not only provide maximum price for agricultural produce, but they can provide incentives to greater production, for, when a producer knows that the cream of his labours is not lapped up by middlemen, he will surely do his best for bettering his record. The elimination of the middleman's exploitation, however, can be profitable only when marketing co-operatives can provide more efficient service. For such an efficient functioning they should have knowledge of commodities to be handled, adequate finances, standardisation of weights and measures, arrangements for storage and transport, processing and preservation where necessary, disposal or sale of the produce, and expert knowledge of the markets and prices, etc. For all these, the leadership provided by the regional and national federations is most essential and the programmes of training of technical personnel to handle large-scale operations is indispensable.

The co-operatives have the experience of private industry before them. But in order that they may give better performance they have to develop their own research programmes. The latest techniques of material handling, costing and budgetary controls should be adapted by co-operative organisations.

The world is moving very fast. Businessmen in the private sector are availing of the opportunities thrown up by modern techniques. The co-operative sector has not merely to equal the performance of the private sector, but it has to do even better. For it is only then that it can inspire that buoyant confidence in the co-operative sector which is so essential for the future development of co-operative movement. The great increase in the number of consumers' co-operatives in developing countries also enhances the importance of marketing co-operatives and it is indeed timely that this Conference is discussing in detail the organisation and management of these co-operatives at various levels.

I would like to conclude this brief statement by a quotation from an I.L.O. publication on "Co-operative Management and Administration". It ends with these words:

"The co-operative movement has always appealed to persons with a sense of social responsibility, but even in its initial stages its success will depend on its ability to attract that type of mind and personality which is characterised by technical skill and managerial judgment. This becomes even more necessary as the movement gains in strength and complexity and the satisfaction of contributing to a worthwhile social objective is reinforced by that of participating in the conduct of an enterprise which is a leader in its own field."

I hope that this Conference will contribute to the creation of leaders in co-operative marketing, both in management and in enterprise, and wish your deliberations great success.

Thank you.

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EXPERTS' CONFERENCE ON "CO-OPERATIVE MARKETING"
New Delhi. India : January 15-21, 1967

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INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for South-East Asia
6 Canning Road, New Delhi-1

P R E S S R E L E A S E

Today's Engagements

SUNDAY, JANUARY 15, 1967

INTERNATIONAL COOPERATIVE ALLIANCE, Regional Office
and Education Centre for South-East Asia:

Mr Cedric Day, Deputy Regional Representative of the
Food and Agriculture Organisation of the UN, New Delhi,
to inaugurate South-East Asian Experts' Conference on
Cooperative Marketing". Chaudhary Brahm Perakash M P
to preside. Vigyan Bhavan, Committee Room "E", 10.00 a.m.



INTERNATIONAL CO-OPERATIVE ALLIANCE
REGIONAL OFFICE AND EDUCATION CENTRE FOR SOUTH-EAST ASIA

Head Office : 11 Upper Grosvenor Street, London W.1.
Cable : Interallia. Telephone : Grosvenor 5991-3

Post Box No. 639, 6 Canning Road, New Delhi-1
Cable : Interallia. Telephone : 42391-3

Your Ref.

Our Ref.

January 13, 1967

Dear Sir,


South-East Asian Experts' Conference on Cooperative Marketing, January 15-21, 1967. New Delhi, India.

The South-East Asian Experts' Conference on Cooperative Marketing is being inaugurated at Vigyan Bhavan (Committee Room E) on Sunday, January 15, 1967, at 10.00 a.m. by Mr Cedric Day, Deputy Regional Representative of the Food and Agriculture Organisation of the United Nations, New Delhi. A Press Release intended for your use is being enclosed herewith. I shall be grateful if you could kindly depute one of your staff representatives to cover the Inaugural Function and proceedings of the Conference.

Through this letter we would like to extend to you an Open Invitation to you or your representative for attending any of the Conference Sessions. A copy of the programme and also the list of participants is enclosed.

Thanking you,

Yours sincerely,


P.R. Baichwal
Specialist in agricultural Cooperation.

Encl: as above

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office and Education Centre for South-East Asia
Post Box Number 639, 6 Canning Road, New Delhi-1. India

P R E S S R E L E A S E

South-East Asian
EXPERTS CONFERENCE ON COOPERATIVE MARKETING
January 15-21, 1967. New Delhi

Inauguration & Venue of the Conference

The International Cooperative Alliance, Regional Office and Education Centre for South-East Asia, New Delhi, is organising, in collaboration with the National Cooperative Union of India, an Experts' Conference on Cooperative Marketing in New Delhi, from January 15 to 21, 1967. The venue of the Conference is India International Centre, 40 Lodi Estate, New Delhi. The Conference will be inaugurated by Mr Cedric Day, Deputy Regional Representative of the Food and Agriculture Organisation of the United Nations, New Delhi, on Sunday, 15th January at 10.00 a.m. in VIGYAN BHAVAN (Committee Room E).

Delegates

This Conference will be attended by about 30 delegates from Ceylon, India, Japan, Republic of Korea, the Philippines, Singapore and Thailand. The Conference has also the benefit of the expertise from Sweden and also from the ICA Headquarters in London. Observers from the International Labour Organisation, Afro-Asian Rural Reconstruction Organisation, Food and Agriculture Organisation of the United Nations, and the International Federation of Agricultural Producers, are also participating in the Conference.

Objectives of Experts' Conferences

The International Cooperative Alliance has during the recent years, organised experts' conferences on a variety of subjects. The main purpose in organising such conferences is to develop an objective commentary on certain vital aspects touching the activities of cooperative societies. The experts' conferences provide a forum for promoting not only an

exchange of knowledge and experience but also for bringing about a cross fertilisation of ideas on important problems. Participants to these experts' conferences include persons holding responsible positions in their own field and also those possessing specialised knowledge and experience on the subject of the conference.

Purpose of Cooperative Marketing Conference

The main purpose of the Experts' Conference on Cooperative Marketing that is being organised in New Delhi is to bring together persons having specialised knowledge and experience in the field of agricultural cooperative marketing and to provide them with a common platform for discussions on problems relating to cooperative marketing with special reference to management aspects. It is hoped that this Conference will contribute to offering possible solutions to some of the management problems of marketing societies.

ICA in South-East Asia

The Regional Office & Education Centre, New Delhi, is an extension of the ICA Secretariat in London. The Centre has the task of developing the general activities of the Alliance in the Region, acting as a link between the ICA and its affiliated organisations and representing it in its consultative relations with the regional organisations of the United Nations and other international bodies. As a part of the programme of educational activities, the Regional Office and Education Centre organises regional seminars, experts' conferences and national seminars for the Cooperators of the region on pertinent aspects of Cooperation. So far, the Centre has organised about 45 seminars and conferences in which more than 1,200 Cooperators from the Region have participated. These events are rotated and are organised in different countries of the region according to the type of subject and the suitability of the particular country.

Released for immediate publication.

January 13, 1967

Dr P.R. Baichwal
Specialist in Agricultural Cooperation
International Cooperative
Alliance, New Delhi-1.