

***Role of
Agricultural Cooperatives
in
Food Production in Thailand***

by

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*Commissioner and Secretary to Government of Haryana,
Agriculture, Cooperation, Animal Husbandry and Dairy Development Departments.*



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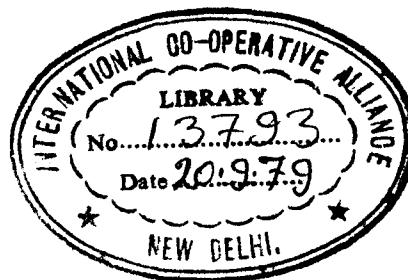
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ACKNOWLEDGEMENTS

At the very outset, I must express my gratitude to the International Co-operative Alliance who entrusted this study to me and my colleague Mr. Pradit Machima. It would not have been possible for us to conduct this study but for their generous financial assistance.

One of the intangible benefits of this study which has not been mentioned in the body of the Report was the opportunity it gave me to meet the people of Thailand from all walks of life. Their courtesy, friendliness and warmth were indeed overwhelming.

More specifically, I would like to place on record my grateful thanks to the following high ranking dignitaries of the Royal Thai Government who spared their valuable time to enlighten me about the role of agricultural co-operatives in Thailand and gave me opportunity to discuss with them my views in regard to these matters. Although I sought meetings with them on more than one occasion, sometimes at short notice, they readily agreed to my request every time and were extremely generous with their time in spite of their other pre-occupations. These include:

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2. Mr. Krit Sombatsiri, Secretary General, NESDB.
3. Mr. Freda Ganasut, Under-Secretary of State for Agriculture & Cooperatives.
4. Dr. Suthee Singsaneh, Director General of Cooperative Auditing Department,
5. Col. Surin Cholpraserd, Director General, Cooperative Promotion Department.
6. Mr. Thep Saiyananda, Deputy Director General, Cooperative Promotion Department.

I am particularly grateful to Col. Surin Cholpraserd, Director General, Cooperative Promotion Department and Mr. Thep Saiyananda, Deputy Director General, Cooperative Promotion Department for their keen interest in my study and its conclusions and recommendations. Both of them encouraged me in my efforts and put me in touch with the various other persons whom I wanted to meet. They were also kind enough to go through the recommendations contained in my preliminary draft report, and make suggestions and modifications based on their vast experience of cooperatives in Thailand.

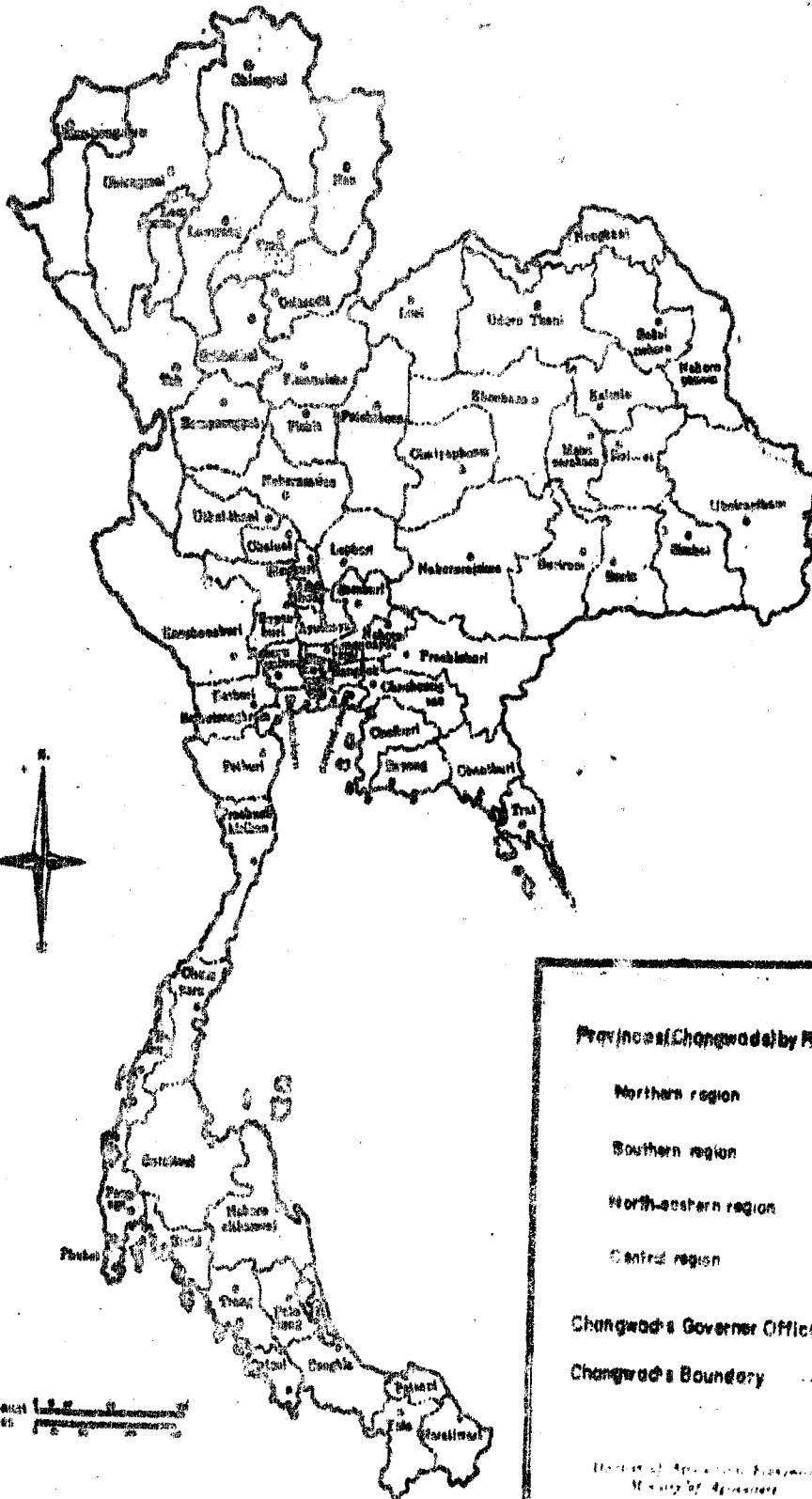
I have given at Annexure "J" the names of the important persons who helped me in my study and I am deeply grateful to each and everyone of them. There are many others, especially Provincial Officers and District Officers of the Co-operative Department, Chairmen of the Provincial Federations and of local Agricultural Co-operatives, Managers of the branches of the Bank for Agricultural Co-operatives who were of invaluable help to me, but unfortunately I cannot mention them individually for want of space. The list of institutions visited (at Annexure "J") gives an indication of the persons who I have in mind.

I also thank Mr. Pradit Machima who accompanied me on my visits to the local co-operatives and also in meetings with some of the senior dignitaries of the Royal Thai Government. His assistance in understanding the background of Thai Co-operatives has been invaluable.

I am also deeply grateful to the members of the staff of the Co-operative League of Thailand, who were of great help to me in the collection of data, arranging visits to local co-operatives as well as the various offices in Bangkok and acting as interpreters in the course of these visits. In particular, I would like to gratefully acknowledge the assistance given to me by Mr. Wichien Sobhon, Deputy Director and Mr. Supat Choomchuay, Chief of the Training Division of the League.

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THAILAND



Scale 1:500,000
 1 cm = 5 km
 1 inch = 125 miles

List of Abbreviations

MOF	Marketing Organisation of Farmers.
DAE	Department of Agricultural Extension.
CPD	Co-operative Promotion Department.
BAAC	Bank of Agriculture and Agricultural Co-operatives
PCC	Production Credit Co-operative
ACFT	Agricultural Co-operative Federation of Thailand.
CLT	Co-operative League of Thailand.

Conversion Table

U.S. \$ 1.00	= 20 baht.
1 Acre	= 2.5 Rai (approximately)

P A R T II

CHAPTERS 1 to 9

CHAPTER I

INTRODUCTION

1.1 This study makes an attempt to examine the role of the Agricultural Co-operatives in Thailand in the field of food production.

1.2 The objective of the study can be best brought out by indicating the terms of reference which were given to us by the International Co-operative Alliance. The terms were :-

- "i) to assess the present contribution of the Co-operatives in the matter of food production in Thailand;
- ii) to assess, in the context of Thailand's Development Plans, the further role that Co-operatives could play in the food production effort;
- iii) to recommend ways and means of increasing food production through co-operative effort and of creating among the members of the co-operatives and the general public a greater awareness than has obtained hitherto of the need to increase food production effort;
- iv) to recommend necessary changes and improvements in respect of co-operative organisations and facilities to enable the co-operative movement to make this contribution to Thailand's food production effort;
- v) to assess the present involvement of the rural poor in food production through Co-operatives and to recommend ways in which this involvement could be substantially increased for the development of the rural poor through co-operative efforts for food production."

1.3 The contribution of the Co-operatives towards agricultural production can be examined from various points of view. In view of our own background and experience, we have approached this subject from a particular point of view. We have considered it appropriate to look at the subject from the angle of the services and facilities that the co-operative movement could provide

in support of the process of modernisation of Thai agriculture. Although Thailand has always been surplus in foodgrains and has been a major exporter of agricultural commodities, especially food grains in the past, as in the case of most other developing countries in this region, Thai agriculture is also passing through a process of agricultural modernisation. The traditional technology is rather slowly but steadily giving place to the new technology of high yielding varieties. Agricultural cultivation is changing from being extensive to intensive. The area under double cropping is increasing as a result of the completion of a number of irrigation projects. The use of chemical fertilizers, improved seeds and pesticides is becoming increasingly popular. Against this background, the question that we have addressed ourselves is how best can the Agricultural Co-operatives in Thailand hasten this process of agricultural modernisation and improve the incomes of the farming community in general and the weaker sections in particular, in the shortest possible time.

1.4 In this context, it will be appropriate to set out at the very outset, the broad parameters of this study and to clarify in particular the implicit assumptions and limitations of this study. One of the assumptions that we have made is that in developing countries which have adopted a policy of planned economic development, Co-operatives cannot make an effective contribution unless they are assigned a specific role in the programme of national economic development. In other words, Co-operatives will not be able to make any contribution if they function in isolation. The co-operative movement, in effect, has to be accepted as an instrument for implementing the programmes of economic development. We are aware that this approach is somewhat controversial. There is a school of thought which firmly believes that Co-operatives should be completely independent of any influence of Government and most of the ills of the co-operative movement have been attributed to the 'interference' of Government. Our view regarding the role of Government in the development of Co-operatives will be spelt out later. At this stage it will be sufficient to mention this proposition.

1.5 This study does not propose to deal with all aspects of Agricultural Co-operatives. Matters relating to Co-operative Law, Co-operative Audit, etc. have been left out not because they are

not important aspects of the movement, but with a view to focussing our attention on these aspects which have a more direct bearing on the subject of the study. The study is also confined to "Agricultural Co-operatives" in the broad sense of the term, and includes "Land Co-operatives" which are a type of Agricultural Co-operatives in Thailand. In fact, unless otherwise stated, the word "Co-operatives" in this study would refer to Agricultural Co-operatives only.

1.6 A brief statement about our view point in regard to the role that the Agricultural Co-operatives could play in increasing food production as well as our general approach to the subject is set out in the following paragraphs.

1.7 Modern agriculture involves, basically, the optimum utilisation of the available resources through the application of science and technology. The evolution of new hybrid, high yielding varieties of rice and wheat has been a major break-through and has transformed the agricultural technology. The basic ingredients of this technology are also applicable, to a lesser extent, to other crops as well. The high yielding variety of seed is the most important component of this technology. The technology is heavily based on purchased inputs. While, in the past, the farmer was nearly self-sufficient in almost all his agricultural inputs, now he has to purchase almost all of them, including seed, which has to be grown under very rigid conditions and processed, treated and certified. It follows that the farmer should have easy access to credit facilities to enable him to purchase these inputs. Since this technology is highly sophisticated, agricultural extension has to be more intensive. Higher production necessitates a sound marketing structure and remunerative prices, so that the farmer has an incentive to increase his production by incurring expenditure on the inputs.

1.8 The major requisites of modern agriculture can briefly be re-stated as follows :

- a) Existence of an economically viable technology for various crops, suited to the local agro-climatic conditions.

- b) Adequate institutional arrangements for the transfer of this technology from research institutions to the farmers' fields, via a strong extension net-work.
- c) Arrangements for timely supply of the following inputs, namely :
 - i) seeds; ii) fertilizers; iii) irrigation; iv) Pesticides; and most important v) credit for purchasing these inputs.
- d) Suitable marketing and processing infrastructure.
- e) Adequate facilities for transport and communications.
- f) Suitable arrangements for storage.

1.9 The point that needs to be specially emphasised here is that while the technology is neutral to scale, the ability to command necessary resources depends upon the scale of farming unless institutional arrangements are so devised as to nullify the advantages of scale. It is widely believed that the adoption of modern technology has aggravated the disparities between the rich and the poor farmers mainly in view of the ability of the richer farmers to command the resources for purchasing the inputs. It is here that the bigger farmer scores over the small farmer or tenant. If some mechanism could be devised to ensure that small farmers are able to obtain adequate and timely credit for purchasing inputs and provided with marketing facilities which are otherwise available to the richer farmers from the normal commercial channels, the growing disparities can be reduced substantially and the process of agricultural modernisation can be stepped up without any adverse effects.

1.10 Obviously some of these agricultural requisites can be best provided by Government. The experience in a number of developing countries has, however, indicated that Government agencies are not well-equipped to provide service and facilities which are of a commercial nature. In most developing countries, therefore, Co-operatives have been given a specific role in the delivery of these inputs and provision of marketing and processing facilities. In fact, it will not be an exaggeration to say that there appears to be a close relationship between the degree of modernisation of

agriculture in a particular country and development of agricultural co-operatives. Historically, developments in these two areas seem to have kept pace with each other. Conversely, agricultural stagnation seems to have retarded development of agricultural co-operatives.

1.11 It, therefore, follows that co-operatives should form an integral part of the process of agricultural development and should have very close links with the various agencies which are involved in this process.

1.12 Specifically, the experience has indicated that the following services and facilities can be most effectively provided by cooperatives :-

- i) Credit; short term, medium term and long term;
- ii) Inputs; fertilizers, seeds, pesticides, agricultural machinery;
- iii) Agricultural Extension; and
- iv) Marketing, processing and storage.

1.13 It is needless to say that all these activities are so closely inter-related that provision of some of these facilities without others often takes away the benefits of the facilities that are provided. Since all these functions are closely inter-related, it has been found desirable to entrust them to a single institution. Hence multi-purpose co-operatives have been found to be the best agency for providing these facilities at the base level.

1.14 In this context, it is proposed to examine the role of the co-operatives in Thailand in terms of the extent to which the above facilities and services are being provided by them and the manner in which the delivery of these services can be improved.

1.15 In order to enable the reader to understand and appreciate the agricultural situation in the context of which the agricultural co-operatives are functioning in Thailand, the broad features of the agricultural setting in Thailand have been outlined in the following chapter. Chapter 3 traces the historical development of Co-operatives in Thailand, their present position as well as

the role assigned to them in the context of the national development plans. The four main functional aspects of agricultural co-operatives namely, Credit, Marketing & Processing, Inputs supply and Farm guidance have been separately analysed and suggestions made for making changes both in the structure as well as policies and programmes in Chapter 4. The present position of Co-operatives in the fields of Animal Husbandry, Dairying, Fisheries, etc. has been dealt with in Chapter 5. Since Co-operatives would not be able to make any effective contribution unless their own internal structure is strong, management of Agricultural Co-operatives is dealt with in Chapter 6. In view of the increasing emphasis on the involvement of poor in agricultural co-operatives, the extent to which Agricultural Co-operatives in Thailand cater to the poor has been discussed in Chapter 7.

1.16 The general observations and conclusions have been summarised in the last chapter.

1.17 It would appear that the recommendations are very broad in nature and are not quite specific. In the brief period that was available to us, however, we could only make an attempt to identify the broad areas in which action is required to be taken immediately and, therefore, we have merely indicated the lines on which changes and improvements are required to be made. The emphasis has been to identify what is required to be done. The manner of implementing these recommendations or in other words, how exactly can these recommendations be implemented is an area which calls for a more detailed study of the existing procedures and policies and the alternatives can only be evolved after detailed discussions with those who are involved in dealing with the present procedures. We have, however, made some specific suggestions which are merely illustrative.

1.18 We are glad to record that almost all the major recommendations were discussed with all those concerned and were generally accepted by them. During our discussions with the various high ranking officers, it appeared that Government of Thailand would be glad to receive international assistance for implementing some of the recommendations in this report as well as other reports which have made detailed studies of the Co-operatives in Thailand.

1.19 Although as stated above, the recommendations, by and large, are of general nature, we have made an attempt to present models (in Annexures 'A', 'B' & 'C') of detailed procedures in respect of three areas namely :-

- (i) Introduction of a crop loan system for short-term credit ;
- (ii) A scheme for streamlining the distribution of fertilisers; and
- (iii) Rules for introduction of a two tier common cadre; one for the ACFT and the Provincial Federations and the second for the Provincial Federations and the Primary Agricultural Co-operatives.

1.20 A perusal of these systems would indicate that they are rather sophisticated and may not be of immediate application in the conditions prevailing in the co-operative structure of Thailand at this moment. They are merely indicative of the lines on which detailed procedures will have to be worked out and should, therefore, be taken only as examples. They have been included only with a view to drawing attention to the importance of framing detailed procedures on these lines.

CHAPTER 2

AGRICULTURE IN THAILAND

2.1 Thailand's area extends to approximately 514,000 kilometers. The population is roughly around 43.4 million with a growth rate declining from 3% in 1970 to 2.8% in 1975. Over 85% of the population lives in rural areas.

2.2 Geographically, Thailand is divided into four regions (see map on page iii) namely :

- i) Central Region;
- ii) Southern Region;
- iii) Northern Region; and
- iv) North-eastern Region.

2.3 Each of these regions consists of 9 to 16 provinces. There are 71 provinces, the average population of a province (called Changwat) being a little less than 600,000. The province is the main administrative unit which is headed by a Governor, who is a civil servant appointed by the Ministry of Interior. On an average, a province consists of roughly 9 districts (called Amphoe) which has an average population of about 65,000. There are 632 districts in Thailand. A district again is sub-divided into a number of sub-districts for administrative convenience. Below the sub-district are groups of villages (called Tambons). On an average a district has about 10 Tambons each having an average population of about 7,600. The lowest unit of habitation is a village (called Muban). The average population of a village is about 850 families. About 9 such villages constitute a Tambon. Most of the Government Departments have their offices at the provincial and district levels. There is some sort of general supervision of the activities of the various departments at the Governor's level who is directly under the Ministry of Interior. The Departments of Agricultural Extension and Co-operative Promotion, like other departments, have their offices at the provincial and district levels. There is, however, a little co-ordination of the activities of these departments in the field.

2.4 The average per capita income of Thailand is \$375 approximately, which is the second highest in the South East Asia, next only to that of Malaysia, if we exclude Hongkong and Singapore, which are only cities without any substantial rural areas. Though the average per capita income is relatively higher as compared to the per capita incomes of other countries in this part of the world, there are wide disparities between urban and rural incomes. In 1973, the GDP per worker in agriculture was only 4,7000 Bht (US \$230) as compared to 24,600 Bht (US \$1,200) in the urban areas. The urban areas mean mainly Bangkok which is the only big city in the country.

2.5 Apart from wide disparities between the rural and the urban sectors, the inter-regional disparities are also significant. The following figures bring out the extent of regional disparities, with the Central Region as the base :

Region	Cash income per capita (Bht)	Index (Central Region)
Central	7154	100
North	3761	53
North-East	1986	28
South	3954	55

2.6 It will be seen that the Central Region which largely consists of the Chao plain, is the most prosperous region in the country and the North-East Region which has scanty rain-fall and un-irrigated upland crops, is the poorest region in the country. Roughly, the average income in the North-Eastern Region is only one-fourth of average income in the Central Region.

2.7 Thailand is predominantly an agricultural country. About 80% of the population derives sustenance from agriculture, and about 30% of the country's GDP is derived from agriculture. The cultivated area is approximately 30 million acres of which only about 25% is irrigated. The main items of agriculture are rice, maize, tapioca, rubber, sugarcane and kenaf (jute like fibre). The most important agricultural produce is rice which is also the main item of food and a major source of foreign exchange. About

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60% of the agricultural land is under rice. In recent years there has been a slight decline in the area under rice because of agricultural diversification and introduction of crops like maize and tapioca which fetch a better price in the international market. However, in 1971, 72% of the total exports were agricultural products. The relative importance of various crops in Thailand can be judged from the following figures of agricultural production in 1974-75 :-

<u>Crop</u>	<u>Metric tonnes</u> <u>(1000 tonnes)</u>
Paddy	13,386
Maize	2,500
Sugarcane	14,592
Coconut	643
Groundnut	160
Cotton	56.4
Kenaf	384.1
Tobacco	17.8
Sesame	31.1

FARM SIZE

2.8 At present there are about 5 million farm families on about 30 million acres of agricultural land. About 62% of farms are fully owned, 32% are partially owned and 6% are fully rented. The average farm size is about 3.9 hectares which is not too small. The average size of holdings has not changed much over the years since new land was being continuously brought under cultivation.

2.9 It is interesting to note that landless labour constitutes only 0.5% of the agricultural labour force. However, 25% of the cultivators are tenants. The highest rate of tenancy is in the Central plain where the land values are high and the land is fertile. The tenancy rate in areas around Bangkok is said to be as high as 82%.

2.10 The distribution of farms by size in 1974 was as follows :

<u>Size of the farm in hectares</u>	<u>% of the farmers</u>	<u>% of area</u>
Less than 1 hectare	8	1
1 to 2.4	22	7
2.5 to 4.9	30	21
5 to 6.9	18	21
7 to 9.6	10	16
More than 9.6	12	34

PATTERN OF LAND OWNERSHIP

2.11 Since till recently additional land could be brought under cultivation by cutting down forests, the pressure on land was negligible and consequently not much attention was given to the maintenance of record of rights. The pattern of land ownership can be broadly divided into three categories. The holders of reserve licence (called Baichong) belong to the first category. This licence gives temporary permission to the holder to occupy the land. Such licences are issued for three years, but the holders are generally allowed to stay. There is, however, no legal security of tenure and the licencees cannot mortgage their lands for obtaining loans.

2.12 The holders of exploitation Testimonials (called NOR-SOR) belong to the second category. Exploitation testimonials are issued to the holders of reserve licence after 75% of the land has been brought under cultivation. These testimonials are issued on the application from the occupiers and are granted after due enquiry and settling the conflicting claims, if any, and are usually issued for all the holdings in an area. Testimonial rights are, however, permanent and inheritable, but transferability is subject to cumbersome restrictions and the banks do not generally consider them as good security for loans.

2.13 The holders of title deeds (called Chanodtidin) belong to the third category. The title deeds are based on cadastral surveys and give unrestricted rights of transfer.

2.14 It was estimated in 1969 that out of 30 million acres, title deeds had been given for 8 million acres, exploitation testimonials to about 4.5 million acres and reserve licences to a million acres. In other words, some sort of record of rights was available to less than half of the total cultivable area and more than 50% of the cultivators had no record of rights whatsoever. Since then, however, there has been some improvement.

AGRICULTURAL PRODUCTION AND YIELDS

2.15 It will be seen from the crop statistics (Annexures 'D, D-I, E, F') that the increase in production during the last ten years has been more due to the increase in the area planted and not due to any substantial increase in yields. In fact, the yields of major crops have been more or less static for the last 10 years and have in some cases actually declined. For example, in the case of rice, while the area harvested increased from 38,696,000 rai in 1962-63 to 45,853,000 rai in 1974-75, the increase of only one Kg. Similarly, in the same period in the case of maize there has been a fall in the yield from 325 Kg. to 323 Kg. while the area increased from 2,050,000 rai to 7,749,000 rai. Only in the case of sugarcane there has been an increase in the average yield from 5 tonnes per rai to 7.5 tonnes per rai in this corresponding period.

2.16 In fact, it would be pertinent to note that the average yield of rice in 1974-75 was 268 Kg. per rai. There has not been any significant improvement in the average yield since then.

2.17 While in the past, additional area could be brought under cultivation by clearing forest lands, this method of increasing production does not seem to be feasible any longer. A recent survey by the Land Classification Division indicates that forests now cover less than 42% of the land area. If allowance is made for unauthorised encroachments, the area under forests seems to be almost equal to the land which should be reserved for forests, which is about 40% according to the Land Capability Studies. Any further extension of area by removing the forest cover will bring under cultivation marginal areas, the cultivation of which would not be economical. Hence future increase in production to feed the rapidly increasing population as well as to maintain and even improve Thailand's share in the world market will have to come

from intensive cultivation i. . by increasing the average yields which will involve use of improved seeds, application of fertilisers and pesticides and adoption of the most appropriate agronomical practices. That the yields can be increased substantially in this manner has been demonstrated by the results achieved not only on research farms, but also on the farmer's fields in some of the Land Settlement Projects where the package approach has been adopted successfully and the Co-operatives have played a significant role in giving the infrastructural support to the project authorities in support of their extension efforts.

2.18 The yield per hectare of rice is also relatively low as compared to the yields that have been obtained in the countries which have similar agro-climatic conditions. The average yield in Thailand in 1973 was 308 Kg. per rai as compared to 963 Kg. in Japan & 767 Kg. in the Republic of Korea. The fertilizer consumption is also among the lowest in Asia. A study conducted by the FAO/UNDP Soil Fertility Research Project has indicated that fertilizer use in 1969 was only 40% of the levels required to maintain soil productivity and 10% of the levels required to increase yields. Most of the area is monocropped. Although high yielding varieties of rice namely, RD 1,2,3,4 etc. have been evolved, their use is extremely limited. Adequate steps have not so far been taken for multiplication of these seeds on a commercial scale. Despite the creation of significant irrigation potential is being utilised in the wet season and only 10% in the dry season mainly on account of slow implementation of the on-farm development programmes, namely, construction of water courses, field drains, etc. There is thus considerable scope for increasing yields by adoption of modern technology. In the case of paddy for example, while the national average is 1.7 tonnes per hectare, it has been estimated that the wet season average can be increased to about 3 tonnes by adoption of the modern technology. In fact, with the use of high yielding varieties of seeds and other complimentary inputs it has been possible to raise the yields to 5 to 6 tonnes per hectare on experimental farms.

2.19 In the case of maize, although the present levels of yields cannot be said to be unsatisfactory, in view of the declining trend due to cover exploitation of the soil, fertilizers application will have to be stepped up. Similarly, it will be necessary to

step up the use of fertilizers to a substantial extent in the case of tapioca and sugarcane.

AGRICULTURAL RESEARCH

2.20 Research in agriculture is conducted by the Department of Agricultural Technology, Universities and Regional Agricultural Research Centres. There are over 100 research establishments widely distributed over major agro-climatic regions and also four major research centres in the four principal regions. It is generally accepted that the Research Institutions have evolved a number of research findings which are capable of immediate application in the field.

2.21 It is believed in some quarters in Thailand that one of the main reasons for the slow adoption of technology of high yielding variety by the farmers is that the technology is not economically viable. In other words, the additional income likely to accrue by its adoption is not commensurate with the additional expenditure which has to be incurred on purchasing the inputs, mainly fertilizers. This is said to be mainly true in the case of rice where the policy of rice premium makes the use of fertilisers uneconomical. There is, therefore, a case for an appropriate price policy for rice which takes into account the cost of production, including the cost of inputs, cost of credit and labour, return on land and allows a reasonable profit to the cultivator to provide him with sufficient incentive.

2.22 However although, in the case of a primary agricultural commodity like rice, there are bound to be periodic and sometimes violent fluctuations in the international prices, indications are that over a longer period, in spite of the vigorous steps that are being taken by most of the developing countries to control the growth of population, in the race between population and food production, it is the population that is likely to lead for the next 30 years or so. Hence, at least in the near future, the international demand for food grains and other agricultural commodities is likely to be on the increase. The problem, basically, therefore, appears to be one of counteracting seasonal fluctuations in the international prices and insulating the local consumers

and producers from these fluctuations. The Marketing Organisation for Farmers (MOF) which has been set up by the Government of Thailand recently, is expected to address itself to this task.

AGRICULTURAL EXTENSION

2.23 The work of agricultural extension has been assigned to the Department of Agricultural Extension, which has been set up recently. The Agricultural Co-operatives have also set up their own net-work of agricultural extension workers. The extension net-work of the Department of Agricultural Extension seems to be thinly spread. It has been estimated that if administrative and other regulatory tasks are taken into account, the effective ratio is one Extension Officer for about 4,500 farmers whereas the ratio is 1 : 540 in Japan and 1 : 1500 in Taiwan. In addition, extension workers are burdened with the task of supervision and guidance of the Farmers' Associations about which more would be said later. On an average there is one Extension Officer for a district & he is assisted by 2 or 3 deputies. Most of the extension personnel is desk bound. They are available to the farmers only when the latter need their help. Their activities are mainly confined to laying out a few demonstration plots on the farmers' fields.

2.24 The arrangements for periodical exposure of the extension personnel and the farm guidance workers of the Co-operatives to the activities of the research institutions appear to be inadequate. Our discussions with the farmers whom we met in the course of our field visits, indicated that the extension functionaries do not seem to be adequately equipped to give proper guidance and the farmers had the poor opinion of their technical knowledge and competence. There is very little co-ordination between the extension functionaries of the Department of Agricultural Extension (DAE) and the farm guidance workers of the Co-operative Promotion Department (CDP) either at the State level or at the provincial level.

2.25 Recently, a World Bank Extension Project has been formulated which aims at strengthening the extension set-up and bringing down the ratio of extension workers to farmer families

from 1 : 4,500 to 1 : 1,000 in 33 provinces, which have been included in the project area. It also envisages substantial strengthening of the communication network between the University and the extension workers on the one hand and between the extension workers and the farmers on the other. The strengthening of the extension worker services will step up the demand for agricultural credit and inputs and Co-operatives will have to play a more important role in providing these requisites.

FARMERS' ASSOCIATIONS

2.26 mention has already been made about the existence of the Farmers' Associations. These informal groups have been in existence since 1953. Initially, these groups were constituted for providing agricultural extension, but gradually they have started performing some of the functions of the Co-operatives; for instance, provision of credit and distribution of fertilizers and other inputs. These associations were given legal status only in 1972. At present there are about 3,159 associations with a membership of 306,939 farm families. The break up of the various types of associations is as follows :

a) Rice Associations	2,038
b) Associations for Upland crops	574
c) Associations for Horticulture development.	296
d) Associations for development of Animal Husbandry.	161
e) Associations for development of Sericulture.	9
f) Associations for development of Marine Fisheries.	66
g) Associations for development of Inland Fisheries.	14

2.27 During the last four years there has been a phenomenal increase both in the number and the membership of the Farmers' Associations as can be seen from the following figures:

<u>Year</u>	<u>Number of groups</u>	<u>Membership</u>
1973	568	62,824
1974	1,293	130,060
1975	2,511	258,191
1976	3,159	306,939

2.28 These Associations, however, function at the tambon level, whereas the Co-operatives function at the district level. On an average, a group has about 100 members as against the average membership of 600 in the case of a Co-operative. Some of the provisions of the Co-operative Societies Act have been extended to these Farmers' Associations. They are registered under the Co-operative Societies Act, but the power of registration has been delegated to the Provincial Governors whereas in the case of Co-operatives the Registrar i.e. the Director General of Cooperative Promotion Department is the registering authority. These Farmers' Associations are also audited by the Department of Co-operative Audit. Except for the purposes mentioned above, the Farmers' Associations have no links with co-operatives. They are guided by the extension workers of the DAE at the district level. Officer of the DAE, specially assigned to look after the management of these groups, attends the meetings of the Managing Committee and guides the associations. These groups do not have paid managers.

2.29 Although the extension functionaries of the Department of Agricultural Extension are expected to provide the extension services to all farmers, they generally prefer to deal with the members of the Farmers' groups as it facilitates their work. The functionaries of the Department of Agricultural Extension do not contact members of the Agricultural Co-operatives unless specially asked for by the officers of the Department of Co-operative Promotion. The programmes of the Department of Agricultural Extension in regard to distribution of seed, fertiliser, etc. for demonstrations are implemented through the Farmers' Associations. For the present, only the Farmers' Associations set up at the Tambon level legal status. Informal Committees of representatives of these associations have been constituted at the district, provincial, regional and national levels, which have no legal status.

2.30 The procedure for admission of a member to a Farmers' Association is rather simple. Any person cultivating land can become a member of the Farmers' Association. It is not necessary that he should be a land-owner, unlike in the case of a Co-operative Society. The minimum number of farmers required for registration of a Farmers' group is 30. In the case of Co-operative it is 150. The rapid increase in the number of

Farmers' Associations and their membership and the taking over of some of the functions of the Co-operatives by these organisations have reduced the role of the Co-operatives in the field of agricultural production to some extent.

AGRICULTURAL CREDIT

2.31 The role played by Government and other institutional agencies in meeting the requirements of agricultural credit can be assessed from the following figures :

	<u>1967</u>	<u>1968</u>	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973-74</u>
Govt. Subsidy Project	49.9	65.0	80.0	100	100	130	230
BAAC	121.3	380.4	562.8	563.3	509.4	670.4	773.7
Co-operatives	125.1	135.3	129.4	167.6	164.0	224.6	249
Commercial Banks	473.1	565.2	660.5	637.4	742.5	771.2	990.5

2.32 It will be noticed that contribution of the institutional agencies, namely the Bank for Agriculture and Agricultural Credit, Co-operatives and Commercial Banks, has been increasing rapidly. However, in spite of the recent emphasis on provision of agricultural credit, the institutional sources meet only about 15% of the requirements of agricultural credit. Even after 50 years of existence, the Co-operatives meet only about 10% of the credit requirements. Most of the requirements are provided by money lenders, merchants and relatives. Merchants are the most important source of credit. The rate of interest charged by them ranges from 30 to 40%, but in some cases, it is said to go up to even 100%. Mostly the credit provided by merchants is in kind and the merchant-cum-moneylender provides all the goods required for consumption and recovers the loan when the produce is sold through him. Apart from exorbitant rates of interest, the present system is said to lead to a good deal of exploitation. Once the farmer approaches a moneylender, he continues to be perpetually in the latter's grip. There is a system called "rice baiting" under which the moneylender collects paddy from the thrashing floor itself at a price to be

unilaterally determined by him. Since there are no regulated markets, the farmer does not usually know the ruling market price and is at the mercy of the merchant-cum-moneylender.

2.33 In the field of institutional credit the Bank of Agriculture and Agricultural Co-operatives (BAAC) is the most important credit agency. Since it provides credit to Co-operative Societies also, the role of the BAAC would be discussed in the next Chapter which deals with the involvement of Co-operatives in Agricultural Production in Thailand. Among the commercial banks, the Bank of Bangkok has been playing a leading role in the field of agricultural credit. Apart from financing individual farmers, it has also financed Co-operatives. Till recently, the commercial banks were shying away from providing finances to the agricultural sector. With a view to increasing the involvement of the commercial banks in this field, the Government of Thailand has decreed that commercial banks would lend a certain proportion of their deposits to the BAAC for augmenting the resources of that bank. In 1975-79 the commercial banks were directed to deposit 5% of their deposits with the BAAC. In 1976-77 the proportion was raised to 7% of the working capital. The percentage is likely to be raised to 9% in the next year. It has also been stipulated that the new branches of commercial banks should advance at least 60% of their deposits to local customers and at least 20% of the loans should be given directly to farmers. As a result of these measures there has been a substantial increase in the advances of the commercial banks to the agricultural sector. The total advances by commercial banks (both directly and through the BAAC) as well as by BAAC to the agricultural sector have increased from 1,846 million Bht in 1970 to 7,539 million Bht in 1975. The advances are likely to reach the figure of 10,000 million Bht in 1977.

2.34 In spite of this significant step up, only a small proportion of the requirements of agricultural credit are met by the banking institutions. Besides, the commercial banks are financing the relatively more prosperous farmers who are engaged in commercial agriculture. The small and marginal farmers do not seem to have access to credit.

FERTILISER DISTRIBUTION

2.35 About 90% of the fertiliser is imported and till recently almost the entire quantity was distributed by the private trade. Co-operatives handle about 10% of the fertiliser distribution. Generally merchants based in Bangkok distribute fertiliser in the provinces by trucks where it is usually sold on credit at a high rate of interest. There is no price control on fertiliser. Since there are a large number of products in the market, the promotional effort is directed more towards pushing up the sale of a particular brand rather than the promotion of use of balanced fertilisers or merits of various nutrients. In the absence of price control, there are very wide fluctuations in the prices depending upon the stock position in the market at a particular point of time. Further, since the sales are governed mostly by commercial considerations, fertiliser is usually not available in remote and inaccessible areas. Last year the Marketing Organisation of Farmers, recently set up by Government, purchased about 100,000 tonnes of fertilisers from the open market in Bangkok and distributed the same through the Farmers' Associations. The Co-operatives also import fertilisers mostly from Japan and distribute through their own net-work in the field. Thus apart from the private sector two parallel organisations, namely the co-operatives and the Marketing Organisation of Farmers are involved in the distribution of fertilisers.

2.36 What has been said in regard to fertiliser distribution also applies to the distribution of pesticides. About 50% of the agro-chemicals are formulated locally. Co-operatives again handle only about 10% of the trade.

MARKETING STRUCTURE

2.37 It is believed in Thailand that the most important problem facing the country is marketing and not production. Although a good deal of attention has been given to this matter over the years, the results do not seem to be commensurate with the efforts. More than 90% of marketing is in the hands of private traders

who have been in this business for generations. The marketing structure is efficient in the sense that it quickly responds to changes in prices, but it is said to be exploitative from the farmer's point of view. The practice of "rice baiting" has already been referred to.

2.38 As stated earlier there is no system of regulated markets where the produce is put to auction by an official functionary and marketing operations are conducted under the supervision of this functionary.

2.39 The marketing structure in Thailand is a 3-tiered one. Generally, markets can be classified into :

- i) Local or Rural Markets.
- ii) Regional or Central Markets.
- iii) Terminal Market.

2.40 At the lowest level i.e. at the village level or rural market the most important merchant is also a landlord who buys the produce of his tenant and sells it in the Regional or Central Market. He also provides other inputs, such as seed, fertilisers and pesticides on credit. The bonds between the farmer and the merchant are traditional and the tenant invariably sells his produce to the landlord-cum-merchant. In a sense he "belongs" to the landlord-cum-merchant who also advises the farmer in his decisions about production.

2.41 At the village level there are also Commission Agents who act on behalf of the merchants located in the Central Markets and also hawker merchants. Similarly, a large number of intermediaries operate both in the Central Markets as well as the Terminal Market. In brief, there are a large number of functionaries who are involved in the marketing operations from the village level upto the terminal level i.e. Bangkok. Although individually, they are not in a position to influence the determination of price, they seem to take a substantial share of the margin between the price paid by the consumer and the price received by the producer. The exploitation of farmers could perhaps be reduced to some extent by setting up regulated markets as in India.

MARKETING ORGANISATION OF FARMERS (MOF)

2.42 As stated earlier, this organisation which has been set up by Government recently, is expected to provide marketing outlets to farmers. This organisation was set up in October, 1974 with the following objectives :-

- i) to procure and distribute fertilisers to the farmers;
- ii) to provide a marketing channel for the 90% of the farmers who are not members of co-operatives;
- iii) to administer price support programmes for major crops; and
- iv) to stabilise the wholesale prices by setting up a Central market for vegetables, fruit, meat, rice, etc.

2.43 The authorised share capital of the MOF is one billion Bht and Government has already contributed over 760 million Bht for the various activities mentioned below :-

- i) Capital for paddy price support.
- ii) Capital for Cotton price support.
- iii) Capital for Agro chemicals and fertilisers.
- iv) Capital for fertiliser for sugarcane.
- v) Capital for maize price support.

Its future plan includes the following :-

1. Purchasing of paddy to give price support, if necessary.
2. Export of rice according to the quota given by the Ministry of Commerce.
3. Domestic rice trading for farmer institutions.
4. Export of maize according to the quota and foreign markets as arranged by the Ministry of Commerce.
5. Sale of fertiliser at subsidised rates.
6. Construction of a Central Market.
7. Construction of rice mills and silos in various provinces.
8. Setting up of branch offices in 71 provinces.
9. Production of certified seed and marketing.
10. Export of vegetables, etc.

2.44 It may be noted that the charter given to the MOF is very comprehensive. The performance of this organisation in the field of administration of price support operations has not, however, been said to be satisfactory mainly because of lack of experience. Besides, this organisation functions mainly at the State level and does not have branches at the provincial or district level. It also functions more or less independently of the Co-operatives. Since the functions entrusted to this organisation are similar to those which are being performed by the Co-operatives at the national, provincial and district levels, it will be desirable to establish a close co-ordination between the Co-operatives and the MOF i.e. the various activities which are being performed by the Marketing Organisation of Farmers at the provincial and district levels could be entrusted to the Co-operatives at these levels. Even at the national level in the matter of import of fertiliser and export of rice and other agricultural commodities, close co-ordination between these two organisations would prove useful in particular. Instead of setting up its own offices at provincial and district levels, the MOF could utilise the services of the existing infrastructure of Co-operatives at these levels.

2.45 In brief, the agricultural situation in Thailand is characterised by the following features :-

- i) The increase in agricultural production has been more due to increase of area under cultivation rather than any increase in productivity. Since most of the cultivable land has already been brought under cultivation, any further increase in production can be achieved only by improving soil productivity.
- ii) The present yields of most of the crops are low and have remained static for a long time. There is considerable scope for increasing production by adoption of technology already evolved by the research institutions.
- iii) There is considerable scope for increasing the area under irrigation by fuller utilisation of the irrigation potential which has already been created.

- iv) At present the use of improved seeds, fertilisers and other inputs is insignificant. There is considerable scope for increasing the use of these inputs, provided Government adopts a realistic pricing policy which offers remunerative prices to the producers.
- v) The present extension network is somewhat inadequate to meet the requirements of the new technology. As a result of the implementation of the World Bank Extension Project, the extension set-up will be strengthened substantially which would result in stepping up the demand for credit and agricultural inputs. The institutional arrangements for meeting the requirements of these inputs will also have to be strengthened simultaneously.
- vi) With the recent establishment of Marketing Organisation of Farmers, it is hoped that the problems faced by the farmers in marketing their agricultural produce will be reduced to a large extent. However, instead of setting up a parallel network in the field, this organisation could as well utilise the existing co-operative structure at provincial and district levels.

2.46 In short, with the annual growth rate of population around 2.8% and non-availability of additional area to be brought under cultivation, it is imperative that the traditional methods of agriculture give way to the modern input based technology to enable the nation both to feed its own population as well as to step up its exports of agricultural produce. The Agricultural Co-operatives can play a very significant role in this process of transformation of Thai agriculture.

CHAPTER 3

AGRICULTURAL COOPERATIVES IN THAILAND

HISTORICAL PERSPECTIVE

3.1 As in other developing countries, agricultural co-operatives were initially organised in Thailand with the objective of relieving the farmers from severe indebtedness and preventing their mortgaged lands from being fore-closed by the moneylenders. The first Agricultural Co-operative was organised in 1916. Organised at the village level, it was based on the Raiffeissen model, i.e. with unlimited liability based on mutual knowledge of all the members, etc. Naturally the membership of these societies was limited. The average membership was about 17. The society had no paid Secretary or Manager. The elected office bearers managed the affairs of the society in an honorary capacity. The unlimited liability required members to mortgage their lands to the society against all loans, the amount of which was not to exceed 60% of the appraised value of the property. Besides, two members were required to stand surety. The loans were mostly long-term and meant for redemption. The societies generally did not provide loans for financing seasonal credit requirements.

3.2 Although, initially the growth of the movement was slow, the speed of registration of new societies based on this pattern picked up in the middle of 1940 and the period 1947-1953 saw a very rapid expansion which, to some extent, affected the soundness of the movement. 1,179 societies were registered in 1949 alone. Before the introduction of the programme of amalgamation in 1969, there were 9,684 societies of this category with a membership of 153,278 households, representing 4.3% of all the farm households.

3.3 The experience of these village societies was not happy for various reasons. They were too small to be viable and did not provide other complimentary services such as marketing, inputs and farm guidance. In view of the poor performance of these societies, it was decided to organise large sized societies with limited

liability mainly for providing short-term loans for meeting the seasonal credit requirements. The first large sized agricultural cooperative with limited liability was, therefore, organised in 1959-60. Unlike the village credit cooperative which restricted membership to land-owners, this large sized society, called Production Credit Society (PCC) required that the member should be actually operating a farm (either as an owner or a tenant) and earning over one-half of his income from farming. A more important condition was that the farm area should be large enough to produce a marketable surplus. In some cases, the co-operatives had provided in their by-laws that local member groups should not recommend for membership landless tenants to exceed one-third of total membership. Since the area of operation was large and extended to 20 to 30 villages, the membership was divided into informal groups of 30 to 40 members on village basis. Great care was taken in selecting members and in this task the officer of the Co-operative Promotion Department played an important role. The membership was first approved by the village groups on the recommendation of the officer of the Co-operative Promotion Department on the basis of his investigation into the credit worthiness of the applicant. After the approval of the village group, the application was placed before the Managing Committee of the Society. The bulk of the loans granted by these societies were for financing seasonal agricultural operations and were repayable within one year. At the end of March, 1968 i.e. on the eve of the programme of amalgamation, there were 10 Production Credit Co-operatives with an average membership of 452.

3.4 On the basis of the experience of the working of both these types of societies and developments in this field in other countries, notably in Japan, it was decided by Government to amalgamate the village credit cooperatives on the pattern of the Production Credit Co-operatives were also enlarged and they were converted into "Multi-purpose Co-operatives" by amending their by-laws. It was also decided to merge the Marketing Co-operatives with the re-organised Agricultural Co-operatives functioning in the same area.

3.5 There has been rapid progress in the matter of amalgamation and the number of societies was brought down from 9600 in 1968 to 371 in 1974. There are only 26 village societies at present which have to be either liquidated or amalgamated.

3.6 The first Paddy Marketing Society was organised in 1938. In the field of marketing, the operations of the society was confined to sale of paddy only. The number of such societies increased to 118 in 1957; but the number declined since then as a large number of them has to be liquidated on account of loss suffered mainly due to inefficient management. Before amalgamation, there were 70 Paddy marketing co-operative with a membership of 48,000. All these marketing cooperatives have since been merged with the Agricultural Credit Co-operatives.

3.7 At present there are 6 main types of co-operatives in Thailand. They are :

1. Agricultural Co-operatives
2. Fishery Co-operatives
3. Thrift and Credit Co-operatives
4. Consumer Co-operatives
5. Land Co-operatives
6. Service Co-operatives.

3.8 The statement at Annexures 'G', 'G-I' & 'G-II' give details about the number of societies of various categories, their membership, volume of operations, profit and loss, etc. during the year 1974-75.

3.9 The following four types of Co-operatives can be said to be Agricultural Co-operatives in the broad sense of the term. They are:

1. Agricultural Co-operatives;
2. Land Co-operatives;
3. Fishery Co-operatives; and
4. Dairy Co-operatives.

3.10 The programme of amalgamation, which is under way from 1969 envisages :

- i) amalgamation of village co-operatives into large sized Agricultural Co-operatives at the district level
- ii) Conversion of Production Credit Co-operatives into Agricultural Co-operatives.

- iii) Merger of marketing co-operatives with the new Agricultural Co-operatives functioning in their area of operation.
- iv) Merger of land co-operatives with the Agricultural Co-operatives, in stages.
- v) Eventually there will be only one multi-purpose Agricultural Co-operative in each district.

3.11 The Dairy Co-operatives and Fishery Co-operatives will, however, maintain their separate identity.

3.12 The process of amalgamation has almost been completed except for about 26 village credit co-operatives, which have either to be liquidated or amalgamated. About 50 land co-operatives also still maintain their separate identity.

LAND CO-OPERATIVES

3.13 Apart from the Agricultural Co-operatives the other major category of co-operatives in the rural sector are the Land Co-operatives. The major objective of the land co-operatives is to implement the policy of land improvement, land settlement and land consolidation through the co-operative approach. The land co-operatives can be further divided into the following three categories, namely :-

1. Land Settlement Co-operatives.
2. Land hire purchase and land tenant co-operatives.
3. Land improvement co-operatives.

LAND SETTLEMENT CO-OPERATIVES

3.14 The main objective of the Land Settlement Co-operative is to help the landless farmers to settle on vacant lands through these co-operatives. The infrastructure, namely roads, schools, medical facilities, etc. are provided by Government in the Department of Land Co-operatives. The co-operatives acquire large chunks of land, reclaim the area and allot small plots to members on the condition that the members cannot alienate the land. The membership is on unlimited liability basis. Apart from provision

of infrastructural facilities and technical guidance, the land co-operatives perform all other functions which are being performed by the Agricultural Co-operatives namely, provision of credit, marketing, supply of inputs and farm guidance.

LAND HIRE PURCHASE & LAND TENANT SOCIETIES

3.15 These societies are similar to the Land Settlement Co-operatives except that in the case of hire purchase co-operatives, plots are allotted to the members on the hire purchase basis, the instalments being spread over a period of 15 years. In the case of most of the hire purchase cooperatives, members have already paid all their instalments and have become full owners. In the case of Land Tenant Co-operatives, societies acquire large areas on rent from landlords or Government and sub-let small plots to members on reasonable rent.

LAND IMPROVEMENT CO-OPERATIVES

3.16 The Land Improvement Co-operatives are organised either in irrigated areas or in unirrigated areas. In the case of irrigated areas, while irrigation department lays down the infrastructure required for irrigation and also looks after the maintenance of pumps, etc., the activities of the society are confined to supervision of distribution of water. In the case of societies organised in unirrigated areas, the construction and the maintenance of the water courses and pumps, etc. is the responsibility of the society, which is assisted by the engineering staff of the Co-operative Promotion Department. As in the case of land settlement co-operatives, the land improvement co-operatives also perform all the functions of Agricultural Co-operatives.

3.17 In September, 1976, in all there were 50 Land Co-operative Societies with a membership of 29,808 families with an average membership of 600. Statistics regarding profit and loss of these societies are given in the statement at Annexure 'H'.

3.18 The Co-operatives in the fields of Fishery, Dairy, Live-stock Development etc. will be dealt with in detail in Chapter 5.

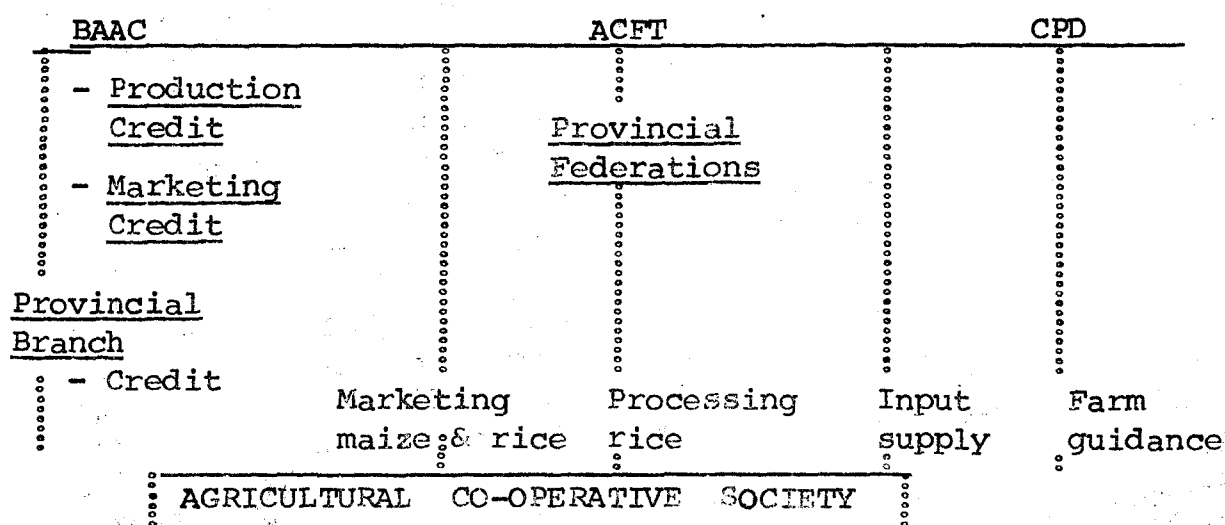
STRUCTURAL OF AGRICULTURAL CO-OPERATIVES

3.19 As in other developing countries, the structure of the Agricultural Co-operative in Thailand is three tier one. At the base level are the Agricultural Co-operatives already mentioned. At the secondary level, there are 19 Provincial Federations. The agricultural societies at the district level are affiliated to these Federations at the provincial level. Two of these Federations perform credit functions and the remaining 17 are involved mainly in processing of rice.

3.20 At the Apex level, the Agricultural Co-operative Federation of Thailand (hereinafter referred to as ACFT), which is the Apex body, is mainly involved in supply inputs and marketing. The ACFT does not deal with either credit or processing.

3.21 The credit requirements are met by the Bank for Agriculture and Agricultural Co-operatives (BAAC) through its branches at the provincial level. The BAAC is not a Co-operative Bank. It has been sponsored by the Government and is under the Ministry of Finance. The bank has also offices at the district level. The district level offices, however, are not empowered to sanction loans. They merely assist the clients in the processing of applications and also supervise loan utilisation. In the field of credit, therefore, the structure is 2-tier one with the primary society at the base level and the BAAC at the provincial and national levels.

3.22 The cooperative structure would be somewhat as follows :-



AGRICULTURAL CO-OPERATIVES

3.23 As mentioned earlier, after amalgamation, there will be only one agricultural co-operative in each district. Apart from amalgamation of the erstwhile village co-operatives and conversion of the production credit co-operatives, a number of new agricultural cooperatives have also been registered. The progress achieved in the organisation of the agricultural co-operatives can be seen from the following table :

Year	No. of societies in the beginning of the year	Increase during the year	Decrease during the year	Total at the end of the year
1970	72	232	-	304
1971	304	97	-	401
1972	401	10	16	395
1973	395	65	-	460
1974	460	218	134	544
1975	544	4	-	548

3.24 The increase in the number of societies has been accompanied by corresponding increase in the membership of these societies, as is evident from the table given below :

Year	No. of members in the beginning of the year	Increase during the year	Decrease during the year	No. at the end of the year
1970	34,434	94,900	-	129,334
1971	129,334	41,972	-	171,336
1972	171,306	20,019	20,251	171,074
1973	171,074	46,034	10,256	207,752
1974	207,753	158,933	12,184	354,501
1975	354,501	NA	NA	463,595

3.25 At the end of 1975 there were 548 cooperatives with a total membership of 463,595 which gives an average of 829 members per society. It may also be added that at the end of 1975 10% of population in Thailand was covered by agricultural cooperatives.

3.26 The financial soundness of the societies can be seen from the fact that out of 544 societies at the end of 1974, 482 were in profit and only 58 societies were in loss; the average profit being 84,784.34 Bht. per society and loss 233,514.22 Bht. Off-setting the loss against the profit, the average net profit works out 50,596.72 Bht. The average loan per member was 3428 Bht.

3.27 Although the bye-laws of the reorganised agricultural cooperatives are very comprehensive and envisage all the activities performed by multi-purpose cooperatives in other countries, in fact all the societies do not perform all the functions prescribed in the bye-laws. The following table broadly indicates the number of societies performing various functions :

<u>Functions</u>	<u>No. of societies</u>
1. Credit	559
2. <u>Marketing</u> :	
(i) Maize	73
(ii) Rice	169
3. Fertiliser distribution	500
4. Farm guidance	70

3.28 Before describing the various functions performed by the Agricultural Co-operatives, it would be useful to mention the qualifications for membership procedure for admission, etc.

3.29 The qualifications for members are that apart from being a farmer of Thai nationality and a person of good character, the applicant should hold ownership of land for agriculture with an appropriate scale to produce a reasonable amount of farm products for marketing in one year. In other words, according to the bye-laws, a person who does not own land or has no reasonable marketable surplus cannot join a cooperative.

3.30 The procedure for admission of a new member is also interesting. His application for admission has to be submitted to the Chairman of his village group. The group will consider his application on the basis of the recommendations of the Supervisor of the Co-operative Promotion Department and his application for membership will be approved and forwarded to the Board of Directors for consideration only 3/4th members of the group present and voting approve of the membership.

3.31 It would seem that although the principle of unlimited liability has been discarded, the membership requirements and procedure for admission of new members seem to be governed by considerations which were perhaps valid when the bye-laws were based on principles of unlimited liability. In view of the rigid requirements and the obvious preference for those who own land, the membership is confined to only 10% of population and unless the qualifications for membership and procedure for admission are liberalised, it will not be possible to enlarge the membership. Since it should be possible to provide short-term credit without insistence of mortgage of land, the membership need not be confined to land-owners. During our discussions with the officers of the Department of Co-operative Promotion, it was mentioned that there was no insistence on mortgage of land by prospective members. But during our visits to co-operatives in the field, it appeared that the Managing Committees give preference to those owning land and having recorded rights in land and are reluctant to enlarge their membership. The Co-operative Promotion Department also has not adopted a conscious policy of encouraging the less prosperous farmers and tenants to become members. The present preference for land-owners excludes nearly 50% of the farmers, who do not have recorded rights in land, from becoming members.

3.32 Since the liability is now limited, the procedure for admission of any new member also needw to be simplified.

3.33 Another serious constraint in increasing membership is the difficulty of obtaining loans from the BAAC on account of the elaborate and time consuming procedures and also paucity of funds with the BAAC. This will be elaborated later on.

3.34 The amount of short term loan to which a member is entitled is based on his farm plan but it cannot exceed 60% of the appraised value of the farm products marketed which are produced from such loans. The appraised value of the produce is fixed by the Board of Directors. The maximum limit in the case of short term loan is normally 7,000 bht, subject to the limit of 60% of value of the crop. The limit in the case of medium term loan is 40,000 bht, subject to the condition that the value of the land mortgaged is at least twice the amount of the loan. If however, members do not wish to mortgage their land, a group of members (minimum being 20) can avail of loan upto 7,000 bht per member on a group guarantee basis. Alternatively, a member can also obtain a loan upto 40,000 bht on the basis of surety of at least two persons, one of whom must have an 'appropriate' plot of land.

3.35 The procedure of processing the loan application at the society level is note worthy. The application form, which consists of a number of pages, is filled in by the members individually and submitted to the Chairman of the group to which he belongs. A meeting of the group will then consider each request and assess the requirements having regard to the type of production, cultivated area, the normal yield per rai, expected total yield, the incremental income which can be utilised for repaying the loan, etc. The officer of the Co-operative Promotion Department helps and gives advice to the member of the group. In the case of medium term loan, the group normally deutes an officer of the Co-operative Promotion Department to hold spot investigations and appraisal the loan application and report to the society. The recommendations of the group are then forwarded to the Managing Committee of the Society which, in turn, forwards the application to the District level officer of the Co-operative Promotion Department who submits the same to the Provincial Officer of the CPD who, in turn, presents the application to the provincial level branch of the BAAC.

3.36 It will be noted that the officer of the CPD plays an important role in the day-to-day operations of the society. In fact, he has to recommend the loan at all stages. Loan applications are invariably routed through the district and provincial level officers. No guidelines have been laid down for working out the

short-term credit requirements on the basis of the average cost of cultivation of major crops nor have any guidelines been prescribed for working out the repaying capacity.

3.37 In the absence of these guidelines the appraisal at various stages, tends to be purely on subjective considerations and in case there is no agreement between the functionaries at any two levels, the application is likely to be remanded for a further scrutiny. This also contributes to the delay in the processing of applications.

3.38 Further, routing of the applications through a number of stages contributes significantly to the delay in sanctioning the loans about which more will be said later.

3.39 The entire amount of loan is given in cash and the member is free to utilise it for purchasing fertilisers in case he is desirous of buying fertiliser from the society. No portion of the loan is given in kind i.e. in terms of seed, fertilisers or pesticides.

3.40 There is also no seasonality in lending and recoveries. The society depends almost exclusively on the Government staff or the staff of the bank for ensuring proper utilisation and they function more as agents of the bank rather than independent institutions.

3.41 Although there has been significant expansion in the membership as well as lending operations during the last five years, the management capabilities have not kept pace with the expanded operations. The responsibility for management devolves on the officers of the Co-operative Promotion Department. There is no programme for recruitment and training of competent Managers to manage the affairs of the Co-operatives.

3.42 One of the serious lacunae noted in the course of our visits to the societies is that the societies, by and large, do not have a concrete business plan on a yearly basis indicating the targets of loaning operations, addition of new members, volume of business in regard to fertiliser distribution, etc. Since the Bank for Agriculture and Agricultural Co-operatives (BAAC) is not appraised of the plans of the Coops in advance, the bank finds itself unable to meet the credit requirements.

CO-OPERATIVE DEVELOPMENT PLAN 1977-81

3.43 Although the National Social and Economic Development plan for 1977-81 has not yet been finalised, the Co-operative Promotion Department has formulated its own plan for this period. According to this plan, it is proposed to organise 90 Agricultural Co-operative Societies during this period and the membership of the co-operatives is likely to increase from 463,595 in 1975 to 938,400 in 1981. These societies will be expected to market about 600,000 tonnes of paddy in 1981 as compared to 250,000 tonnes in 1977.

3.44 Additional storage capacity to the extent of 250,000 tonnes will be added.

3.45 43 additional rice mills will be set up, of which 22 will be of 20 tonnes capacity per day and 19 will be of 50 to 60 tonnes capacity per day and one mill of a capacity of 80 tonnes per day. At the end of the Fourth Five-Year-Plan 733 godowns with a capacity of 402,000 tonnes will become available. The total milling capacity would go upto 2,520 tonnes per day and the number of rice mills will go upto 62.

3.46 In the export of maize an annual increase of 20% is envisaged. Thus the quantity of maize exported would increase from 180,000 tonnes in 1977 to 370,000 tonnes in 1981.

CHAPTER 4

ROLE OF CO-OPERATIVES IN FOOD PRODUCTION

AGRICULTURAL CREDIT

4.1 As has already been stated, the credit requirements of primary agricultural societies are met mainly by the Bank for Agriculture and Agricultural Co-operatives through its branches at the provincial level. This bank came into existence in 1966. The bank provides credit to (i) individual farmers, (ii) Agricultural Co-operatives, and (iii) Farmers' Associations. The authorised share capital of the bank is one billion bht. of which 982.6 million bht is paid by the Ministry of Finance and 17.4 million baht by the Agricultural Co-operatives.

4.2 On 17th November, 1976 the Cabinet has given its approval in principle to raising the authorised share capital from one billion baht to four billion baht.

4.3 The salient features of the lending operations of the BAAC during the last five years can be seen from the following table :-

Record of the last five years 1971-75

(in million baht)

	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Capital Funds	1,124	1,158	1,202	1,246	1,279
Total assets	1,608	1,927	2,174	3,059	5,186
Loans extended to individual farmers	509	670	773	1,203	2,101
Loans extended to Agricultural Co-operatives	164	224	245	388	866
Loans extended to Farmers' Groups	-	-	-	143	388
No. of individual farmers registered as clients	262,087	301,622	330,628	379,575	516,314

4.4 At the end of December 1975, in addition to financing 516,314 individuals, the bank had authorised loans to 1,106 Farmers' Associations having a membership of 135,000 members and 528 Co-operatives with a membership of 320,000.

4.5 In 1976 the bank had in all financed 1,176,586* farm families belonging to all the three categories, namely, individual farmers, members of Co-operatives, and members of Farmers' Associations which constituted 23.36% of the total farm families in the nation. Although the number of farmers belonging to these three groups had increased by about 97% during the period 1971-76, about 76.64% of the total farm families were still outside the reach of the BAAC.

4.6 While in 1975 the bank had extended 866 million bht to Agricultural Co-operatives, the loans extended to individual farmers were 2,101 million baht i.e. 2-1/2 times the amount advanced to the Co-operatives.

4.7 Although the processing of the loan applications of individual clients is likely to be more time consuming and expensive, the bank had financed more individual clients than members of Co-operatives. For instance in 1975, 62% of the BAAC credit went to the individual farmers, 26% to the Co-operatives and 12% to the Farmers' Groups. On per capita basis members of the BAAC group received 4,069 baht as compared to 2,282 baht in the case of Agricultural Co-operatives and 1,400 baht in the case of farmer groups.

4.8 Evidently, the bank gives a high priority to the requirements of individual members as compared to those of the Co-operatives. The loans advanced per individual client is also much higher than the loans advanced to members of Co-operatives. Since most of the individual clients are rich farmers, mostly engaged in commercial agriculture, bulk of the funds of the BAAC are being utilised by the most prosperous section of the farming community.

4.9 The membership of the BAAC is derived mainly from the upper farming strata. In 1973, the average land holding of a farmer financed by BAAC was 30 rai, whereas the national average

was 14.7. Generally, the group of farmers directly financed by the BAAC comes from the richest strata, the Co-operatives from the middle level and the Farmers' Associations the lower level. It appears that the average land holding of a member of the Farmers' Associations is much higher than the national average.

4.10 The bank mainly lends for short and medium term purpose. Roughly 80% of the loan are for short and medium purposes, and only about 20% of the loan are for long-term purposes. Long-term loans are given entirely to individual clients and are for large scale plantations and livestock development projects by individual entrepreneurs. Only about half a dozen Co-operatives have so far been provided with long-term credit for construction of warehouses and establishment of rice mills. The bank has not so far granted any long-term loans to members of Co-operatives. It has also not so far finalised procedures for grant of long-term loans to members of Co-operatives. Apparently, it is felt that there is no demand for long-term loans from members of Co-operative Societies. However, with the introduction of irrigation facilities the scope for double cropping will increase which will, in turn, create a demand for tractors and other heavy machinery. The annual growth rate of tractors registered for agricultural use in Thailand during 1963 to 1972 has been 16.89%. It has been as high as 50% in one province. The number of tractors in the country has increased from 413 in 1963 to 1798 in 1972, registering more than a four fold increase. Admittedly, the demand is mainly confined to the Chao Phaya region where irrigation facilities are available. As a result of the completion of the various irrigation projects in the North and North-east along with the on-farm development projects which are being implemented with the help of the World Bank and the Asian Development Bank, the irrigation potential is bound to increase substantially and stimulate the demand for tractors and other agricultural implements. It would, therefore, be desirable to provide facilities for grant of long term loans through Co-operatives for purchase of tractors, etc.

4.11 Similarly, although the scope for minor irrigation namely, installation of wells, tubewells, etc. is extremely limited, it seems that there are pockets in the country where farmers have already resorted to the exploitation of ground water

with their own resources. During our visits to the North, it was brought to our notice that in Chiang Mai province (Sanken Pheng Society) farmers have been installing diesel operated tubewells with their own resources. Apparently, there are other areas in the country where adequate ground-water is available which can be used for irrigation. It will be worth while to prepare minor irrigation projects for such areas for seeking assistance from the International Development Association and other international agencies.

4.12 The bank should, therefore, finalise its policies and procedures for providing long-term credit to members of the Co-operatives for minor irrigation and mechanisation.

4.13 The rate of interest charged by the bank for production credit is 12% in the case of individual clients and 9% to the societies and Farmers' Associations. The Society and Farmers' Associations retain a margin of 3% and the rate of interest charged from the members of the Co-operatives is also 12%. As mentioned earlier, the BAAC obtains bulk of its funds from commercial banks at 8%. The BAAC has consistently held the view that it is not possible for the bank to meet the cost of lending out of the margin of 1% which is retained by it. Obviously, if the primary agricultural society is not performing any supervisory functions, the margin of 3% allowed to the Society appears to be excessive. On the other hand it may be noted that the Provincial Federation at Chiang Mai also borrows from BAAC at 8% and lends to its affiliated societies at 9%. In the course of our discussion, the Manager of the Chiang Mai Federation indicated that it was possible for the Federation to meet the cost of lending out of the margin of 1% retained by it. Prima facie however, there is a case for re-examination of the structure of interest rates and the margins allowed at various levels, so that they correspond to the functions performed by the various organisations.

4.14 As has been mentioned earlier, the BAAC finances individuals, co-operatives as well as Farmers' Associations and for various reasons the Farmers' Institutions namely, the Co-operatives as well as Farmers' Associations receive the lowest priority. Since the Bank Managers prefer to deal with the individual clients whom they know, the farmers' organisations

allege that the approach of the Managers towards them is not sympathetic. The farmers' organisations, in turn, do not co-operate with the BAAC in improving recoveries and ensuring better utilisation of the loans. In fact, therefore, the BAAC on the one hand and the farmers' organisations on the other seem to pull in opposite directions. The present arrangement is, therefore, extremely unsatisfactory from the point of view of both the farmers' organisations as well as the BAAC.

4.15 In all the meetings and seminars organised by the Co-operative League of Thailand and the Co-operative Promotion Department, which we had occasion to attend, speakers persistently pleaded for the establishment of a Bank for Co-operatives. The Government, especially the Ministry of Finance, seems to be of the view that a Bank for Co-operatives would not be a viable proposition. Before the BAAC came into being, there was in existence a Co-operative Bank, which was eventually merged into the BAAC.

4.16 Since the Co-operatives and the BAAC are parts of a single credit structure, unless measures are taken to bring the two together, the situation is likely to deteriorate further.

4.17 We have separately recommended that the Farmers' Associations should be gradually merged with the Co-operatives. If this recommendation is accepted, after the merger, the BAAC will have to finance individual clients and the Agricultural Co-operatives. It will be desirable to take another step and enroll the individual farmers being financed by the BAAC, as members of the Agricultural Co-operatives in stages. This recommendation has already been accepted recently and it has been decided that efforts will be made to enroll individual clients as members of the societies which belong to 'A' class only. If procedures for loaning are modified, as recommended elsewhere, it should be possible to speed up this process of enrolling individual clients as members of the Co-operatives and a phased programme should be drawn up so that after a period of 3 or 4 years the BAAC will be financing only Co-operatives.

4.18 Such a step would bring about closer understanding between the bank and the Co-operatives and remove the present mis-understanding and even hostile feelings. The working of the

BAAC as well as of the Co-operatives will be more harmonious and both the recoveries and utilisation of loans would improve substantially.

LENDING POLICIES AND PROCEDURES OF BAAC

4.19 The lending policies and procedures followed by the Agricultural Co-operatives have already been described. As mentioned earlier, after the loan proposal is approved by the Manager of the Managing Committee, it is routed to the Branch Manager through the District Officer & Provincial Officer of the CPD. The Branch Manager scrutinises the statements which indicate the requirements of each member and, if he feels that a further scrutiny is necessary, he returns the application for further clarification or deposes one of his officers to make on-the-spot investigations. If he feels that in a particular case the loan asked for is excessive, he is empowered to scale down the requirements. Till recently the powers of sanctioning credit limits had been centralised at the level of the Head Office of the Bank in Bangkok and the Provincial Managers were not empowered to sanction credit limits. A year ago the Branch Managers were empowered to sanction credit limits at their own level provided the society had repaid to the bank 80% of the amount collected by it from the members. Since most societies retain bulk of the recoveries on account of the delay and difficulty in obtaining fresh loans from the bank, in effect, the Branch Managers, therefore, rarely utilise these powers. As loan applications of about 600 societies had to be sanctioned by the Head Office in Bangkok, considerable delay was involved in the process. During our visits to the societies, it was mentioned that the normal period taken by the bank to sanction credit limits was about 6 months; but there had been cases where the bank had taken nearly a year.

4.20 It is learnt that recently the powers of sanctioning credit limits have been delegated to the Branch Managers, but the Managers of the Co-operative Societies were not aware of the recent instructions issued by the BAAC.

4.21 In view of the delay and uncertainty of obtaining fresh

loans from the bank, the societies are not prompt in paying back to the bank the recoveries made by them from their members. The situation about recoveries is dismal. In 1975 the percentage of recoveries to outstanding at the society level was only 13%. In 1976 the percentage increased to 16%. Since bulk of the funds of the bank are locked up in overdues, the BAAC is most reluctant to make fresh advances. In view of poor repayments, the Bank is not in a position to make fresh advances, and as societies are aware that the Bank will not make fresh advances, they do not pass on their recoveries which are in the neighbourhood of 50%. Thus there is a stalemate. The societies are also reluctant to enroll new members because of the difficulty of meeting the credit requirements of the existing members.

4.22 There will not be any improvement in the situation if the policies and procedures of lending are not simplified and members of the Co-operatives are assured that there would be no difficulty in obtaining fresh advances.

4.23 The loaning policies followed both by the BAAC as well as the Agricultural Societies appear to be security oriented and not production oriented.

4.24 Till recently a member was entitled to obtain a short-term loan upto a limit of 7,000 baht only without mortgaging his land, irrespective of the area under cultivation. Since this amount is extremely inadequate, members almost invariably mortgage their lands and obtain the higher limit of 40,000 baht. The requirement of mortgaging land precludes nearly 50% of the farmers who do not have clear titles to their lands. The farmers who are not in a position to mortgage land, can obtain loan on the basis of group liability, the minimum number required for forming a group is 20 which is rather high.

4.25 The bias in favour of security of land for short-term loan can be seen from the policy, which has been recently adopted by the BAAC. According to this policy if more than 2/3rd of the members of the society are land-owners, a member of such a society is entitled to a loan of 12,000 baht for the main crop. However, if more than one-half of the members are land-owners, each member is entitled to a loan of 8,000 baht. If less than 50% of members

are land-owners, each member is entitled to a loan of 5,000 bht only.

4.26 The average cost of cultivation of rice, which is the most predominant crop, is said to be around 500 baht per rai. Although the average holding in Thailand is around 15 rai, the holdings of the members of the Co-operatives are usually much higher than the average holding. Assuming that average holding is about 30 rai, the requirement of short-term credit would be 15,000 baht. The limit of 7,000 baht is, therefore, on a very low side. If the alternative of availing of 40,000 baht by mortgage of land is accepted, apart from the cumbersome procedure of mortgaging land, the member becomes ineligible to avail of credit to meet his medium term requirements. If the present lending criteria are not amended, the tenants and those who do not have clear titles, will have no incentive to become members of the Co-operatives even if the bye-laws are amended to enable them to become members.

4.27 As mentioned earlier, the credit requirements of the borrowers are assessed by the village group or the Cooperative Supervisor, who have no clear guidelines for working out the credit requirements. In the absence of objective criteria, the assessment tends to be subjective and there may not be agreement in regard to the assessment between the Branch Manager and the society. There should be clear guidelines for this purpose. One way would be to lay down scales of finance for various crops, in different areas based on the estimates of the cost of cultivation worked out in consultation with the Department of Agricultural Extension. These would include the cost of seed, fertiliser and other inputs. The guidelines would broadly indicate the percentage of incremental income that can be utilised for repayment of the loans. In other words, a system of crop loans will have to be introduced. The loan would be in two parts : 'A' which will be in cash and 'B' in kind, namely fertilisers, seeds, pesticides, etc. The loan required for a particular crop will be advanced before the commencement of the sowing season and recovered out of the sale proceeds of the crop after harvest. Loans would be advanced twice a year. Thus an element of seasonality will be introduced in both lending and recoveries. In the case of bigger farmers, who want to avail of a higher limit, a cash credit system can also be introduced. An example of

the type of system, which can be introduced, is given in Annexure 'A'.

4.28 Since more than 50% of the farmers do not have clear title deeds, under the present system they will continue to be deprived of credit from co-operatives. Although they may not have recorded rights, fellow villagers who are members of the Co-operatives, are usually aware of the land actually cultivated by others in the village. The difficulty of not having clear title deeds can be got over by preparing a 'Land Register' for each village indicating the extent of land actually cultivated by a member to be verified by a representative of the society. This register would form a basic record for determining his loan eligibility. The introduction of a register of this nature would enable tenants and oral lessees to avail of credit from the Co-operatives.

4.29 Since the procedure of mortgaging land is complicated, it may be examined whether the relevant legislation can be amended to provide for creation of a charge on the land and the crops standing thereof (in lieu of mortgage) and for registration of the charge in the revenue records.

4.30 It appears that at present there is no penal rate of interest on the amounts not paid by due dates. A system of penal rate of interest on the amounts not paid by due dates. A system of penal interest rates for delay in repayment may also be introduced.

4.31 The procedural delays could be somewhat reduced by taking following steps :-

- i) Elimination of some of the stages of scrutiny of the loan applications. For example, the requirement of submitting applications through the District Officer and Provincial Officer could be dispensed with.
 - ii) Full delegation of powers to the Branch Managers both to sanction credit limits and also permit individual disbursement on the basis of the scale of finance approved by the bank.
 - iii) Transfer of responsibility to the society for the supervision of loans.
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- iv) Laying down time limits for processing applications both at the level of society as well as bank.
- v) Sanction of the credit limit to the society by the bank on the basis of its borrowing power and past performance without going into the requirements of each members.

4.32 It is evident that the procedures followed by the bank as well as those followed by the societies will have to be studied together. Some of the changes which have been proposed are of a fundamental nature on which major policy decisions will have to be taken at a higher level. It would therefore, be advisable to constitute a high powered Committee consisting of the representatives of the CPD, BAAC, Department of Agricultural Extension, leading non-official co-operators and representatives of commercial banks to consider the entire question of simplification of the loaning policies and procedures. The Committee should be entrusted with the task of reviewing the present procedures and policies, stage by stage, and to suggest elimination of or modifications to each one of them. The Committee will have to be under the Chairmanship of a senior officer either of the Bank of Thailand or of the Department of Co-operative Promotion, so that the recommendations of this Committee are accepted and implemented by all concerned. The understanding between the BAAC and Agricultural Co-operatives could be strengthened by the constitution of Branch Advisory Committees at the provincial level. The representatives of the co-operative societies, local officers of the CPD, DAE, etc. should be appointed on this Committee. Frequent meetings of this Committee at provincial level would enable both the parties to understand the problems and difficulties of each other.

4.33 The attention of the BAAC is now focussed mainly on provision of short and medium term production credits. Both the provincial federations as well as the local agricultural co-operatives are also engaged in the distribution of fertiliser as well as marketing of rice and other commodities. Adequate attention has not so far been paid to the importance of providing marketing credit to these organisations. At present acute paucity of marketing credit has severely affected the marketing operations of the Co-operatives at all the three levels namely, primary,

secondary and apex. The requirements of marketing credit (both for fertiliser distribution and the marketing of rice) of each Co-operative both at the local level as well as the provincial level will have to be worked out and arrangements made to meet the requirements on the basis of hypothecation of stocks. Some details in regard to the manner in which provision of distribution credit can be made have been given in the Annexure 'B' dealing with the distribution of fertilisers. A similar procedure can be worked out for the marketing of rice as well.

4.34 To sum up, a major constraint in the involvement of the Co-operatives in food production is the difficulty faced by the Co-operatives in providing credit for production, distribution and marketing. The main reason for this difficulty has been the lending policies and procedures followed by the Co-operatives and the BAAC. In fact, non-availability of credit has been one of the factors responsible for the slow progress of the Co-operative Movement in Thailand.

DEPOSIT MOBILISATION

4.35 The Co-operatives in Thailand today depend, to a large extent, on the funds borrowed from the BAAC. The mobilisation of deposits at their own level is negligible. Although the members generally are relatively affluent farmers, their savings are deposited in the commercial banks. Since multi-purpose co-operatives, on a large scale, have arrived on the scene only recently, the members still do not seem to have enough confidence in the management of these societies. One of the reasons for this lack of confidence is the lack of qualified Managers. It is not only necessary that qualified managers are appointed but they should also be given some incentives or rewards for deposit mobilisation. It would be useful to study the pattern of incentives provided by the commercial banks to their managers in the field of deposit mobilisation and extend these incentives to the managers of the Co-operatives, to the extent possible.

4.36 It is understood that according to the present regulations, the Agricultural Co-operatives are barred from receiving deposits from non-members. This appears to be an unusual provision and

does not seem to exist elsewhere. While profits and patronage rebate is distributed only among the members, normally there is no restriction on co-operatives in the matter of business dealings with non-members. Consumer co-operatives sell their goods to non-members and Agricultural Co-operatives also sell fertilisers and other goods to non-members. The present prohibition on collection of deposits from non-members operates harshly on the Co-operatives and does not seem to be justified.

4.37 In fact, it may be added that in India the Reserve Bank of India has permitted the Co-operatives to give a slightly higher rate of interest on term deposits from members as well as non-members than the interest rates allowed to the commercial banks, in spite of the fact that the commercial banks have been nationalised.

4.38 Although the BAAC is empowered to collect deposits, not much attention seems to have been paid to this aspect. Another method of encouraging the Co-operatives to mobilise deposits would be to enable them to accept deposits on behalf of the BAAC. The societies could be given a small commission to undertake this activity on behalf of the Bank for Agriculture and Agricultural Co-operatives.

4.39 Marketing and Processing have to be taken together as both the primary agricultural societies as well as the Provincial Federations performed these functions. At the end of 1975, out of 548 societies only 59 primary societies were involved in the marketing of rice and 73 societies were marketing maize. The primary agricultural societies are, however, involved more in marketing than in processing. Only 9 primary societies have their own Rice Mills.

4.40 Processing is mainly the activity of Provincial Federations and is confined to paddy. In fact, Provincial Federations seem to have confined themselves entirely to the running of the rice mills and have not undertaken any other activity so far. The primary societies affiliated to the Provincial Federations have small warehouses or barns in which members' paddy is stored, which is periodically transferred to the rice mills owned by the Federations for milling.

4.41 It may be noted that while there are 71 Provinces in the country, Provincial Federations have been set up only in 19 provinces. The primary agricultural societies located in provinces having no Federation, deal directly with the ACFT for purposes of marketing of maize and rice.

4.42 Since the primary marketing societies have now been merged with the local agricultural co-operatives, statistics about the operations of the marketing societies are not available. However, the relative importance of the marketing operations of the primary agricultural cooperatives can be assessed from the fact that while the volume of credit business handled by all the Agricultural Co-operatives was 1,685 million baht in 1974, the Agricultural Co-operatives handled maize worth 229 million baht, paddy worth 88 million baht and beans worth 2 million baht only.

4.43 As stated above, 17 Federations are involved in processing. Two more Provincial Federations are involved only in the provision of credit. Thus, there are in all 19 Provincial Federations and a national level Apex Federation called the Agricultural Cooperative Federation of Thailand. Out of 19 Provincial Federations 8 have been registered only recently and have not yet commenced business. The Department of Co-operative Audit have consolidated figures of all the 20 Federations, including the ACFT. Out of the 12 Federations, which were in business, at the end of 1975, six were in profit and the other six were in loss. The net profit earned by all the six Federations was 1,087,970 baht and the loss suffered by the other six Federations was 42,078,182 baht. Out of this huge loss, nearly 40 million baht is the loss suffered by the Apex Federation namely, the ACFT, most of which was in fertiliser business. ACFT imported fertilisers from Japan for distribution through the affiliated Co-operatives. Sometime later the Marketing Organisation of Farmers purchased fertilisers locally by inviting tenders. In the meantime since the international price of fertiliser had fallen, & therefore, the MOF was able to purchase fertilisers at much lower prices than those at which the ACFT had imported them. This resulted in a considerable disparity in the retail prices of fertilisers sold by these two organisations. The ACFT had, therefore, to reduce its prices to bring them at par with those charged by the MOF and thereby had to suffer a substantial loss.

4.44 It is clear from the above figures that both the Provincial Federations and the ACFT are not doing as well as the primary cooperatives in so far as their financial operations are concerned. Since the activities of the Provincial Federations are almost entirely confined to the processing of rice, their activities will be discussed in the next section dealing with processing.

4.45 In the field of marketing, the Apex level organisation is the ACFT. The Federation was initially registered in 1969, but till recently it was also functioning as the apex organisation for consumer cooperatives. Only last year it has shed its functions in the field of consumer co-operatives and has become a purely Agricultural Federation. In March 1975, 550 societies were affiliated to ACFT. All the Provincial Federations and most of the primary agricultural societies are affiliated to ACFT. Since the primary societies have to deal directly with the ACFT in regard to the marketing of fertilisers, the societies are affiliated both to Provincial Federations, where-ever they exist, as well as to the ACFT.

4.46 The main functions of the ACFT are :-

- i) Marketing of agricultural produce;
- ii) Supply of agricultural inputs and equipment;
- iii) Export of agricultural commodities; and
- iv) Dissemination of marketing intelligence.

4.47 The ACFT is not involved in processing. It, however, operates a Printing Press for providing service to its members and also owns a wharf.

4.48 Its activities in the field of marketing mainly relate to maize and recently, rice. Before the establishment of the ACFT, its predecessor namely, the CMPF and before that the Bangkok Products Marketing Society, had been handling the export of maize to Japan since 1963. The ACFT collects maize from affiliated societies for export to the National Purchasing Federation of Japan (Zen Noh). In this business the ACFT acts more or less as a commission agent. There has, however, been a steady increase in the quantity of maize handled by the ACFT. The quantity has

increased from 50,000 in 1970 to 98,000 in 1974-75. The quantity to be purchased each year is fixed in the beginning of the year in a meeting between the officials of the Thai and Japanese Co-operatives. The price is based on the whole-sale price prevailing in the Chicago market two months prior to the date of shipment.

4.49 For the purpose of working capital, the Japanese Co-operative Federation provides a limited amount of advance which, in turn, is passed on by the ACFT to the affiliated societies. The Government also gives loans to the societies for marketing operations at a concessional rate of interest of 2%.

4.50 Although the Co-operatives have been in the business of marketing and exporting of maize for some time, a number of difficulties are being experienced by them.

4.51 The most important difficulty faced by them is the inadequacy of working capital at all the three levels namely, primary, secondary and Apex. Apart from the limited advance given by the Japanese Federation, the Co-operatives have to rely on the advance given by the Government out of the Farmers' Aid Fund at 2% interest. This amount is also extremely limited. The societies have not approached the BAAC or commercial banks because having got used to obtaining marketing credit at a highly subsidised rate of interest of 2%, they are reluctant to take loans at normal commercial rates of interest from the banks.

4.52 As mentioned earlier, the BAAC has also not given serious thought to the provision of marketing credit to co-operatives. The policy of the Govt. of providing working capital at a highly subsidised rate of interest seems to stand in the way of obtaining additional resources by the societies. In case the Government decides to utilise its funds only for the setting up of processing units and links its assistance to the extent of loans obtained by the societies from commercial banks, the societies would think in terms of approaching the banks for meeting their requirements of marketing credit.

4.53 Another difficulty is the delayed settlement of accounts by the ACFT with the local societies. The channel of communication

between the ACFT and the affiliated societies seems to be extremely weak and the local societies are far from happy about the attitude of the ACFT towards them. It will be necessary to lay down a procedure for periodical reconciliation of accounts between the ACFT and the affiliated local societies.

4.54 The local societies also complain that the ACFT does not keep them informed of the prices prevailing in the market as well as the prices at which deliveries have to be made to the ACFT for export to Japan. In view of this lack of knowledge about market prices, the societies find it difficult to persuade their members to sell maize to them. The private trader, on the other hand, is extremely prompt in conveying the marketing intelligence to the farmers and make prompt payment and is thus in a position to buy most of the maize from them.

4.55 Since most Co-operatives do not have qualified whole-time Managers, the task of collection of maize from members is usually entrusted to one of the elected office bearers. Since they are themselves members of the Managing Committees, allegations of corruption, misappropriation and mis-management are usually levelled against them by members. The elected office bearers are also not fully conversant with the procedures. Appointment of qualified Managers on regular basis would perhaps improve matters to some extent.

4.56 Next important to maize is rice. In fact, since over 40% of the area is under paddy, rice should have been the most important commodity to be handled by the Co-operatives. But traditionally, merchants, mostly of Chinese origin have been in this field for generations and the Co-operatives have found it difficult to dislodge them.

4.57 In early 1976 out of 558 societies only 159 Co-operatives with a membership of 245,360 households, were marketing rice.

4.58 There are no organised arrangements for the marketing of rice as in the case of maize. The export of rice depends entirely on the quantity allotted by Government for export on Government to Government basis. The price is determined by the Board of Trade once a week on the basis of the prices prevailing in the

open market. At present, only about 10% of the Government to Government quota is allotted to the Co-operatives by the Ministry of Commerce. Co-operatives are not being given any preferential treatment in the matter of allocation of Government to Government quota.

4.59 The Provincial Federations as well as six primary agricultural societies having rice mills, also sell rice to other Co-operative Societies mainly in the Southern region where it is required for consumption. Local traders also buy rice from these Co-operatives.

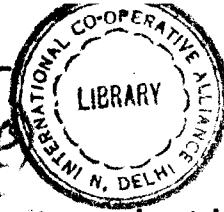
4.60 The difficulties experienced in the marketing of rice are similar to those in the case of maize which have been discussed above. In so far as the working capital is concerned, while in the case of maize some marketing advance is available from the Japanese Federation, no such arrangement exists in the case of rice. In fact, the procedure for making payment in the case of rice purchased by the Ministry of Commerce appears to be quite complicated. The Ministry of Commerce makes payment to the ACFT after the actual receipt of rice. Normally, there is a time lag of a few months between the date of collection of rice by the ACFT from the Provincial Federations and the date of payment by the ACFT to them. ACFT is not in a position to make immediate payment to the societies at the stage of collection and the societies, in turn, are unable to make payment to their members when they collect paddy from them because both the ACFT and the Provincial Federations do not have adequate working capital. As a result of this, the members get paid only after the Ministry of Commerce has made payments to the ACFT. In view of the enormous delay and uncertainty of receiving payments (sometimes 6 to 8 months) members are reluctant to sell their paddy to the Society/ Federation, although they are aware of the mal-practices employed by the merchants. Almost all the rice mills are, therefore, under-utilised. It would be necessary to take a number of steps to ensure that the marketing operations are conducted more efficiently. The working capital requirements of all the organisations will have to be fully met. The communication links between the ACFT and the affiliated societies will have to be strengthened.

4.61 Experience has also indicated that Co-operatives have been successful in marketing only where there is an assured marketing outlet. In view of the complexities involved in the marketing operations, they can best perform these functions as agents of Government. It has not been possible for them either in Thailand or elsewhere to compete with the traders in the market for various reasons.

4.62 Government will, therefore, have to play a significant role in the development of co-operative marketing. Government will have to decide as a matter of policy to give preference to the Co-operatives in all export transactions which are on Government to Government basis. An export quota should be ear-marked for the Co-operatives on the basis of the capacity installed for processing rice in the Co-operative Sector.

4.63 Marketing operations at present are confined only to maize and rice. During our field visits a number of societies mentioned that they needed assistance in the marketing of other products, namely, tapioca, fruits, vegetables, etc. At the moment the ACFT is not in a position to assist the local Co-operatives in the marketing of these commodities. For example, the Agricultural Co-operative at Rayong has established a unit for processing Cassava chips, but is finding it difficult to market the product. Similarly, the Fruit Growers' Society at Bang Mod is also looking for export outlets. It is not possible for these individual societies to explore export possibilities on their own. The processing of tapioca in the co-operative sector has a bright future, if marketing outlets can be provided. Tapioca chips are said to be very much in demand in Netherlands and other European countries. Fruits can also be exported to Singapore and other countries in the South East Asia. The ACFT should explore markets for these commodities in other countries and assist the affiliated co-operatives in exporting their products.

4.64 The experience of export of maize to Japan on co-operative to co-operative basis has been, by and large, happy. It should be possible to enter into similar arrangements with the Cooperative Federations of other countries in respect of other commodities through the International Co-operative Trading Organisation, which has been set up in Singapore.



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4.65 At present the Marketing Organisation of Farmers and the ACFT are performing identical functions in the field of marketing and there is no co-ordination between these two organisations. In fact, there is a good deal of duplication in their activities. There should be a clear demarcation in the functions and areas of operation of these two organisations. As suggested elsewhere, the MOF need not perhaps set up a parallel marketing infrastructure at the provincial and district levels. It should utilise the co-operative infrastructure which is already available. With the merger of Farmers' Associations into Co-operatives there will be only one Farmers' Organisation in the field and it should not be necessary for the MOF to have another agency of its own.

4.66 There should also be close co-ordination between the MOF and the ACFT. If possible, eventually these two organisations should be merged. However, for the present the ACFT should function as an agent of MOF in regard to fertiliser distribution.

4.67 The professional management both of the ACFT and the Provincial Federations will have to be strengthened substantially. Lack of suitable managerial personnel is a major problem facing the Provincial Federations. In Chapter 7 broad outlines of a scheme of a common cadre for the personnel of the ACFT and the Provincial Federations have been described. The ACFT will have to be suitably assisted financially at least in the initial stages. The Government may bear the cost of the Managers of the common cadre on a tapering basis for the first five years, as has been done in the case of farm guidance workers employed by the Agricultural Co-operatives.

4.68 At present the ACFT is not a truly national Federation of the Agricultural Co-operatives. It acts more as an intermediary in the marketing of maize and rice and distribution of fertiliser. The relations between the ACFT and the affiliated societies are not as close as they should be. During our field visits almost every society was critical of the functioning of the ACFT. This criticism does not imply that in all cases the fault was entirely of the ACFT. But it does imply that there is no understanding between the affiliated societies and the ACFT. The ACFT should, therefore, gradually assume the role of an Apex organisation and should take over all the functions of guiding and supervising

the work of affiliated societies and establish closer ties with them. The introduction of a common cadre for the ACFT as well as the Provincial Federations will be a step in this direction.

4.69 Till the common cadre comes into being, the ACFT may think of having a group of Advisors, who should visit the affiliated societies periodically and discuss their problems. Difficulties in regard to the delay in the settlement of accounts, etc. can be sorted out during such visits. The advisors would also be able to guide affiliated Federations/Societies in the maintenance of accounts, distribution of fertiliser, etc.

4.70 The ACFT should also improve its network for communication of market intelligence and the societies should be informed of the prevailing market prices, at least once a week.

PROCESSING

4.71 Processing is now mainly confined to paddy. At present 9 primary societies and 17 Federations have rice mills. The present installed capacity is 1,050 tonnes a day. The daily milling capacity of these mills varies from 20 tonnes to 110 tonnes per day.

4.72 Recently the Co-operative League of Thailand carried out a survey of the co-operative rice mills in operation. The statistical data was available only in respect of 7 rice mills. In the year 1975 these mills could utilise only 14.15% of their milling capacity.

4.73 In 1975 only 15% of the working capital was obtained from the BAAC. 25% of the working capital was obtained from the Co-operative Promotion Department and 42% from the Farmers' Aid Fund, which is administered by the Government. Thus nearly 70% of the working capital was obtained from Government.

4.74 These mills had bought 63% of their paddy from members and 37% from non-members. In regard to marketing of rice 17% of the rice was sold locally, 23% to other co-operatives, 13% to Government, 17% to the Agricultural Co-operative Federation of Thailand and 30% to other agencies.

4.75 It will be seen from the above statistics that the milling capacity of these mills is grossly under-utilised. The under-utilisation of capacity and consequent loss in business can be attributed to the following factors :

- i) Non-availability of paddy: The membership coverage is extremely limited and only a very small proportion of the members sell their paddy to the societies. The major reason for reluctance of members to sell paddy to the societies is said to be i) lack of knowledge of the prevailing market prices and ii) the enormous delay in obtaining payment.
- ii) Lack of marketing outlets : The main demand is from the ACFT which depends on the quota given by Government. As meagre quota is given to ACFT, the demand is limited.
- iii) Lack of working capital : The difficulties in obtaining working capital for processing are the same as are being experienced by the Marketing Co-operatives in the sale of paddy and maize, and have been dealt with earlier.

4.76 The Co-operative Promotion Department has an ambitious plan of setting up more rice mills. However, before implementing this ambitious plan, it will be necessary to look into the reasons for the poor performance of the existing rice mills and take necessary remedial measures.

4.77 Apart from paddy there are a number of other commodities which can be processed in the co-operative sector. Fruit canning, dehydration of vegetables, extraction of rice bran oil, pelleting of tapioca, processing of maize namely, extraction of flour and oil, manufacture of sugar, etc. are examples of some of the activities that can be taken up in the cooperative sector. Since a large number of sugarcane marketing cooperatives have already been set up and a Federation of Sugarcane Co-operatives has also come into position, there is considerable scope for the setting up of a sugar factory in the co-operative sector.

4.78 However, at present there is no organisation which can give guidance to the co-operatives in the formulation of viable

projects, recruitment of technical personnel, provision of financial assistance and other problems involved in the establishment of such sophisticated processing units in the cooperative sector. The Co-operative Promotion Department has a small cell which is equipped to deal only with the processing of paddy and is not in a position to give any guidance in respect of the processing of other commodities. The experts employed by the CPD do not have any actual business experience. The ACFT has also not undertaken any activity in the field of processing and, therefore, is not in a position to guide and assist the local Co-operatives and provincial Federations in the setting up of new processing units.

4.79 There is, therefore, a need for setting up an organisation or a public sector enterprise on the lines of MOF specifically charged with the task of development of co-operatives in the country with the main emphasis on marketing, processing and storage. The organisation should perform functions similar to those which are being performed by the BAAC on the side of credit.

4.80 The Corporation should be fully financed by Government.

4.81 While at present Government gives substantial financial assistance to Co-operatives by way of loans for setting up new processing units as well as for creation of storage capacity, the Government has no agency to supervise the utilisation of funds as well as to give technical guidance to the Co-operatives. Instead of the Government providing loans directly to the Co-operatives out of its own budgetary resources, it could make annual grants by way of contribution to the share capital of the proposed Corporation which would eventually have its own corpus of funds. On the basis of this assured share capital, the Corporation would be able to attract funds from institutional sources both within the country and from abroad. The Corporation will not only provide financial assistance but also will have technically qualified staff to give guidance to the Co-operatives in setting up processing units in new fields. The Corporation will also be in a position to hire short term consultants for preparing feasibility studies for individual projects. The Corporation may charge a fee from the Co-operatives for these consultancy services. Since it will be an autonomous organisation, the Corporation will be able to receive loans from International Development Association and World Bank, etc.

4.82 The Corporation should be entrusted with the task of development of all aspects of the Co-operative Movement, including the consumer co-operatives. The Board of Directors of the Corporation should consist of the representatives of the ACFT, BAAC and the Consumer Federation and also the Department of Co-operative Promotion and Ministry of Finance.

4.83 The Corporation will prepare model projects for processing activities in various sectors, establish links with financial institutions like the BAAC and Industrial Finance Corporation, organise marketing activities in the initial stages, assist in the recruitment of technical personnel and, in fact, deal with all aspects of processing.

4.84 The reasons why the ACFT and the CPD will not be able to perform these functions, have been mentioned above. The other organisation which can possibly be given these functions is the MOF. The activities of the MOF are, however, not confined to Co-operatives. Besides, it has already been entrusted with far too many important functions. It is responsible for the implementation of the price support programmes for the various agricultural commodities, marketing and storage, fertiliser distribution and even the production and distribution of certified seed, etc. The development of Co-operatives is not one of its functions. Its activities are akin to those being performed by the ACFT and, as suggested elsewhere, eventually these two organisations will have to be merged. In fact, instead of setting up a separate organisation like the MOF, it should have been desirable to entrust these very functions to the ACFT and strengthen this agency suitably. The setting up of the MOF has, in a sense, given a set back to the agency of ACFT.

4.85 In any case, the functions that are proposed to be assigned to the National Co-operative Development Corporation are entirely different from those being performed by the ACFT & MOF and there will not be any duplication in their functions.

4.86 A brief note on the activities of the NCDC in India has been given in Appendix 'I'. This note will throw light on the type of work which is proposed to be assigned to this organisation in Thailand.

SUPPLY OF INPUTS

4.87 The supply of inputs is at present handled both by the Agricultural Co-operatives and the Farmers' Associations. It has already been suggested elsewhere that these two associations will have to be merged, so that the co-operative sector receives necessary assistance from the Department of Agricultural Extension at various levels in planning the supply and marketing of inputs.

4.88 At the moment, neither the Co-operative Promotion Department nor the Department of Agricultural Extension has any carefully worked out annual plan of inputs distribution in terms of quantities of fertilisers and pesticides to be distributed over a given period in a given area. The merger of the Farmers' Associations into Co-operatives would enable the two departments to sit together and work out a district-wise monthly plan of distribution of fertilisers in the country as a whole.

4.89 Based on these guidelines, the ACFT will have to work out its annual requirements and plan its imports directly or through the MOF. Simultaneously, the ACFT will have to collect month-wise annual requirements from all the affiliated societies and obtain their commitments for lifting the agreed quantities.

4.90 If the fertiliser distribution is planned in this manner in consultation with the societies, the difficulty now being faced by some societies in getting timely supply from the ACFT will be removed. The present arrangement functions on an ad-hoc basis. The ACFT finalises its import plan on the basis of the consumption in the previous year without any regard to the requirements of the affiliated societies. The societies, in turn, place indents on the ACFT whenever there is any demand from their members. If the ACFT is not in a position to meet their requirements, societies purchase fertilisers from the open market. Since not all the societies purchase fertilisers from the ACFT, the Co-operatives are deprived of the advantages of bulk purchase at the national level.

4.91 A number of societies buy fertilisers from the open market, as in their view the fertiliser supplied by the ACFT is more expensive.

The practice for purchasing fertiliser from open market leads to irregularities. The ACFT will have to improve its marketing arrangements, so that the societies do not resort to buying from the open market. If the supply programme is planned well in advance in consultation with them, the societies will have very little justification for buying the inputs from the open market.

4.92 As in the case of marketing, there is hardly any co-ordination between the ACFT and the MOF in the matter of import of fertilisers. Both these organisations import fertilisers and distribute them through their own channels. The ACFT distributes through the primary agricultural co-operatives and the MOF distributes through the Farmers' Associations. Thus, there are two public agencies competing with each other in the field. There is, therefore, no uniformity in the retail prices of fertilisers sold by these agencies at the level of the farmer. This unhealthy competition can be avoided if the two organisations are linked with each other. While the task of importing fertilisers may be entrusted to MOF, its internal distribution could be channelised through the co-operatives at various levels.

4.93 Co-operatives have not been handling the distribution of seeds so far. With the introduction of the crop loan system, as recommended earlier, a part of the loan will be given in kind and, in addition to fertilisers, seeds could also be sold through the Co-operatives under this system. Till now, seed production was limited to the activities of Government Farms and there was no commercial production of seed except in the case of soya beans in the North, on a very limited scale. Now that a U S assisted seed project is under implementation, it will be necessary to make organisational arrangements for the marketing of seed. The MOF has been given the task of multiplication of foundation seed on the farmers' fields, seed processing and marketing. The MOF could perhaps act as a wholesaler in the marketing of seeds and utilise Co-operatives for retail sale.

4.94 Since Co-operatives will be handling inputs on behalf of the Government, more or less on agency basis, any loss suffered by the ACFT or other Co-operatives for reasons beyond their control will have to be underwritten by Government, so that instances of

the type of loss which the ACFT has suffered recently on account of substantial fall in the price of fertiliser are avoided. Co-operatives will have to be given a specific target for distribution of fertilisers and the assistance of the functionaries of the Department of Agricultural Extension will have to be utilised to enable the Co-operatives to achieve the target. If the extension functionaries of the DAE continue to provide facilities to the members of the Farmers' Associations, they will not be able to provide any assistance to the Co-operatives in the marketing of inputs.

4.95 In regard to the distribution of pesticides, the Co-operatives are not facing any difficulty mainly because a Pesticides formulating Unit has been set up by the ACFT in the Co-operative Sector in collaboration with a Japanese Co-operative. However, in view of lack of demand from Co-operatives only 30% of the production of this joint venture is being sold through the cooperatives.

FARM GUIDANCE

4.96 The Agricultural Co-operatives in Thailand have accepted farm guidance as one of their legitimate activities only recently. A Division in the Directorate of Agricultural Co-operatives headed by a Chief and assisted by 12 Agricultural Extension Officers provides farm guidance to the societies. Most of these Agricultural Extension Officers are graduates in agriculture. They are specialists in the following fields, namely :

- i) Rice;
- ii) Maize;
- iii) Mungbeans;
- iv) Soya beans;
- v) Cassava;
- vi) Coconut;
- vii) Rice shoots;
- viii) Piggery;
- ix) Livestock;
- x) Bee keeping; and
- xi) Sericulture.

These officials are available to the agricultural societies as Advisors when the latter need help. They visit societies only in response to specific requests. This Division is at present implementing agricultural improvement programmes in 13 societies. In one case, as a result of the efforts of the extension staff, the average yield of rice in the area of a society has increased from 150 Kg. per rai to 500 Kg. per rai in three years. Similarly, the extension staff has achieved remarkable results in increasing yields of coconut in another society in the South.

4.97 This unit is, however, extremely small to meet the requirements of all the societies. Besides, there is hardly any co-ordination between the extension wing of the CPD on the one hand and the Department of Agricultural Technology which is concerned with research and with the Department of Agricultural Extension on the other. The extension wing of the CPD seems to come to know of the latest research findings only because of their informal contacts with the officers of the two departments mentioned above. There are, however, no organised arrangements for dissemination of information from the Department of Agricultural Extension to the Extension Wing of the CPD.

4.98 Since the assistance provided by the 12 extension workers stationed at the headquarters is extremely limited, the CPD has recently introduced a new scheme under which 70 agricultural extension workers have been recruited and placed at the disposal of the Agricultural Co-operatives, on the condition that the expenditure on this staff will be fully borne by Government for the first five years. Government will continue to provide assistance on a tapering basis for the next five years. Thereafter the societies will have to bear their salaries and emoluments. This scheme is proposed to be extended in the next Five-Year Plan and it is proposed to provide extension functionaries to 377 societies by 1981 i.e. the terminal year of the Fifth Plan. The scale of pay of these workers is the same as the scale given to the extension workers with similar qualifications by the department of Agricultural Extension. But they are not Government employees and are not entitled to benefits available to the agricultural extension workers of the Department of Agricultural Extension.

4.99 Although this scheme is commendable, a number of difficulties are being experienced in its implementation. Firstly, since the extension workers are not full-fledged Government servants and do not enjoy the status and perquisites of their counter-parts in the DAE, they are reluctant to serve in the Department of Co-operative Promotion. Out of the 70 extension workers, who were recruited, 20 workers have already left and others are also planning to leave the Department. Secondly, the workers were recruited centrally in Bangkok and were posted in places far away from their homes and are, therefore, unwilling to work in unfamiliar surroundings. Thirdly, these workers have recently graduated from the vocational schools and their knowledge is academic and the farmers have a poor opinion of their ability. They are thus unable to provide useful advice to the members. They were given training for only about 15 days in the procedures of the Co-operatives and were not perhaps adequately prepared for the work which was expected of them.

4.100 Instead of resorting to central recruitment, the local societies could be asked to appoint their own extension workers on the prescribed terms and conditions. One of the reasons for leaving the Department is that the present terms are not as attractive as offered to the extension workers by the DAE. The employees of the DAE with equivalent qualifications are entitled to other facilities such as accommodation, etc. The extension workers of the CPD should, therefore, be provided with all the facilities being provided to the extension workers of the DAE. Another alternative is that these workers should be employed by the Co-operative Promotion Department on permanent basis.

4.101 The extension workers should be adequately trained before being sent to the societies. Here again, the lack of co-ordination between the CPD and DAE creates problems. The CPD could perhaps make use of the training facilities of the DAE and arrange for a 3 to 4 months' course for this staff for updating their knowledge and acquainting them with the policies and programmes of the Department of Agricultural Extension. In addition, there should be some arrangements to ensure that the latest technical know-how becomes available to them in the field. Ideally, the extension functionaries of the DAE should utilise the services of extension workers of the CPD on a regular basis as is being done in Japan.

4.102 The farm guidance workers of the Co-operatives have been given only general objectives. They are expected to survey the agricultural conditions prevailing in the area of operation of their society, identify problems and propose solutions to the Board of Directors of the Society. They have also been requested to send detailed proposals to the CPD; but till now the response has been poor.

4.103 It would be desirable to entrust them with specific duties, such as preparation of farm plan for each member, distribution of fertilisers and other inputs and preparation of agricultural development plans for all the members of the society.

4.104 This scheme has now been extended to only about 70 societies. It will not be possible for the Government to extend this scheme to all societies in the near future and, therefore, other societies will have to depend on the extension services of the DAE. Pending the merger of the Farmers' Associations with the Co-operatives, the question of attaching the Agricultural Co-operatives to the Farmers' Associations for the purpose of agricultural extension could be considered.

CHAPTER 5

COOPERATIVES IN ALLIED SECTORS

DAIRY CO-OPERATIVES

5.1 Dairying is relatively a new activity in Thailand. Milk products do not form a part of the normal diet of the people in Thailand and their protein requirements are met entirely by the predominantly non-vegetarian diet.

5.2 Dairying has, however, gained importance in recent years. Milk is consumed almost entirely in urban areas by the local elite, foreigners and the younger generations mostly, in the form of flavoured milk, ice-cream and other milk products.

5.3 The initiative for development of dairying has come mainly from Government. Large scale organised milk collection arrangements are entirely in the co-operative sector. There are a few dairy plants in the private sector, but they mostly import milk powder from abroad and reconstitute the powder into milk. The Co-operatives at present have a distinct advantage since they do not have to face any competition from private milk collectors. At present there are 5 Dairy Co-operatives in Thailand. They are at:

- i) Nong Po;
- ii) Muaklek;
- iii) Ayuthya;
- iv) Chiang Mai; and
- v) Nakhon Pathom.

5.4 The Fourth Five-Year Plan envisages strengthening of these Co-operatives and raising the membership from 1,210 in 1977 to 1,800 in 1981. The number of milch animals is proposed to be raised from 7,000 in 1977 to 14,515 in 1981. The quantity of milk handled is likely to increase from 7,660 tonnes in 1977 to 15,894 tonnes at the end of the plan. It is not proposed to set up any new Dairy Co-operatives. But it is proposed to increase the membership by about 100 to 120 families per year.

5.5 The first three of the existing Co-operatives are pasteurising milk and selling it in Bangkok, mostly as flavoured milk. The one at Chiang Mai meets the requirements of the town and the local University. The society at Nong Po is a typical example of Dairy Co-operatives in Thailand. It has about 500 members who are relatively prosperous farmers, each having 5 to 10 cross-bred or exotic cattle. Members take loans directly from banks and the society does not come into the picture, in the matter of obtaining loans. The society has a Milk Plant which has a capacity of about 10,000 litres. Initially the plant was financed by His Majesty the King, but now it has been transferred to the Ministry of Agriculture. The society also owns a small feed mixing unit which supplies feed to the members. The society does not provide any technical know-how or extension to the members, but there is close co-ordination between the Livestock Department and the Society unlike in the case of Agricultural Co-operatives. Artificial insemination facilities and medicines are provided by the Livestock Department.

5.6 The Societies at Chiang Mai and Muaklek function on similar lines. The equipment and machinery of these two plants has been donated by Danish and German Governments respectively. The Co-operative Promotion Department has placed at the disposal of each of the societies an officer qualified in dairying.

5.7 In the case of all these societies, the demand for milk is more than the quantity of milk processed by them. In almost all cases the milk plants are under-utilised. The reasons for under utilisation of the processing capacity are:

- (a) Non-availability of pasture lands for grazing cattle.
- (b) Non-availability of good cattle.
- (c) Lack of credit for purchasing cattle.
- (d) Lack of understanding of the business of dairying by members.

5.8 Government is conscious of these difficulties and is taking steps to allot more land to members for grazing cattle. The Bank of Agriculture & Agricultural Cooperatives will have to be approached for provision of adequate credit to enable the members to purchase cattle.

5.9 In brief, Dairy Co-operatives have a bright future in Thailand and, by and large, the programme is proceeding on right lines. The close co-operation between the Livestock Department and the Co-operatives is a healthy feature. The Society at Muaklek is somewhat in a mess, on account of embezzlement, heavy overdues and financial irregularities. Steps need to be taken to improve the working of this society urgently.

5.10 The following suggestions can, however, be made to improve the working of dairy co-operatives:

- i) One of the reasons for the poor performance of the Co-operative at Muaklek is that the plant is not owned by the society and there is constant friction between the plant authorities and the society about the price of milk, etc. In the case of the Society at Chiang Mai a decision has already been taken to transfer the plant to the society. Experience in Thailand, as elsewhere, has clearly indicated that dairy co-operatives do not function successfully unless the milk plant is owned by the co-operatives. An early decision will have to be taken regarding the transfer of the plant to the co-operative.
- ii) Now that 5 dairy societies have been organised and are functioning satisfactorily, there is need to organise a National Dairy Federation to co-ordinate their activities in marketing as well as in the purchase of machinery and material. The National Federation will have considerable bargaining power in the matter of purchases from dairy industry. The Federation will also be in a position to streamline marketing and avoid cross movement of milk, so that the societies can meet the challenge from the processing units in the private sector.
- iii) Although milk collection is largely in the hands of the Co-operatives, they do face competition from the private sector because of the more sophisticated marketing techniques adopted by the latter. The private milk processing units are composite milk plants and are in a position to manufacture various types of products

depending upon changes in demand. Their plants can manufacture a number of products. Co-operatives should, therefore, diversify and convert their plants into composite milk plants and acquire more sophisticated equipment such as homogenisers, cream separators, etc. to enable them to compete with the private milk plants.

FISHERY CO-OPERATIVES

5.11 Although fishing has been an important occupation in Thailand both along the sea-coast and inland, Co-operatives in the field of Fishery have been a recent development. On 30th June 1976 there were only 4 Fishery Co-operatives : three of which had made nominal profits and one was in loss. All the societies have been registered less than two years ago and have not yet got off the ground.

5.12 In addition the Department of Fishery has also organised 55 fishery groups which perform functions similar to those being performed by the Agricultural Co-operatives. Thus the Department of Fishery also extends loans to these groups whereas the Department of Co-operative Promotion arranges loans to the Co-operatives. The fishery groups are said to be pre-co-operatives. Although the fishery groups have been in existence for a number of years, none of them has so far been converted into a Co-operative. Recently a decision has been taken to convert them into Co-operatives, but it has not yet been implemented.

5.13 In the Fourth Five-Year Plan it is proposed to organise 2 Fishery Co-operatives in each year and add about 150 families per annum to the existing societies. At the end of the plan there will be 14 newly organised Fishery Co-operatives with a total membership of 3,100 families.

5.14 As in other fields, the members of Fishery Co-operatives are drawn from the relatively better off sections of fishermen. The average membership of a society is about 100. The most successful Society is one at Pak Panang which is near the Southern border. The society has a membership of 119. The average income

of a member is said to be around 10,000 baht which is very high as compared to the average incomes in the area. The members are, however, heavily indebted to merchants and borrow loans from them at the rate of 3 to 5% per month.

5.15 The activities of the society are confined to selling fishing gear and other equipment to its members and provision of credit. There has been a substantial fall in the prices of fishing gear and equipment in the local market after this society commenced business. Marketing of fish continues to be through private merchants as before. The society also provides loans to members against security of land. Since none of these societies is engaged in the marketing of fish and their activities are confined to the sale of equipment and provision of credit, their effectiveness is rather limited. In due course, the Society at Pak Panang may need assistance, both financial and technical for setting up a factory for converting fish trash into fish meal which is greatly in demand. In this area there is a type of fish which is in abundance but for which there is no demand. It is, however, most suitable for being converted into fish meal.

5.16 As in the case of marketing activities of Agricultural Co-operatives, the BAAC is not providing working capital to Fishery Co-operatives also. The Fishery Co-operatives are, therefore, not in a position to pledge their stocks and borrow money from the BAAC for running their business. This matter deserves to be looked into.

5.17 A Specialist from the Voluntary Development Corps of the United States has recently spent nearly three months making a detailed study of the Marine Fishery Co-operatives and has submitted his report. Many valuable recommendations have been made by him. Since he has made a detailed study, we did not consider it necessary to study the working of the Fishery Co-operatives in greater depth. The recommendations made by him need to be examined and processed quickly.

LIVESTOCK CO-OPERATIVES

5.18 Co-operatives in the field of livestock development is entirely a new activity in Thailand. We could come across only one Co-operative in Rayong which was marketing pigs. The society has about 400 members. It acts more as a commission agent for the butchers who sell pork in the local market. The society is only one year old. It does not provide any veterinary aid nor does it sell feed to members. It also does not provide credit to members for purchasing pigs. The Veterinary Surgeon of the Department of Livestock Development however, provides veterinary cover. The society is faced with the problem of marketing of pigs because the local demand for pork is limited. The society is planning to set up a Bacon Factory and will need both technical and financial assistance for this purpose.

5.19 The equipment which has been donated by German Government to the dairy co-operative at Chiang Mai includes equipment for processing of pigs. The society has, however, not utilised these processing facilities fully. It executes orders only on demand from outside. It should be possible to expand the activities of this dairy co-operatives to include the processing of pigs so that the available equipment is fully utilised.

5.20 The National Security Organisation under the Ministry of Defence has also organised groups of farmers for provision of facilities of artificial insemination around the Protein Production Centres set up by them. 19 such centres have so far been organised each having a membership of about 500 farmers. These groups, however, do not perform any functions in the field of marketing of livestock. Similarly, the Department of Livestock Development has also organised 72 'groups', each for about 100 cattle, in the North-east. Some of these groups could form the basis for organising co-operatives for marketing of livestock.

CHAPTER 6

CO-OPERATIVE EDUCATION & TRAINING

6.1 Since co-operatives are democratic organisations controlled and managed by their members, their success depends, to a large extent, on the involvement of the members which, in turn, depends on their awareness of co-operative principles, co-operative ideology and principles of management. Further, as they are business organisations, their success will also depend on the professional competence of their Managers,

6.2 In Thailand the following two organisations deal with Co-operative Education and Training :

- i) The Co-operative Training Centre; and
- ii) The Co-operative League of Thailand.

6.3 The Co-operative Training Centre is a part of the Department of Co-operative Promotion and has the following four sections :-

- i) Training Centre
- ii) Mobile Units Section
- iii) Audio-visual aids Section
- iv) Institute for Co-operative Education.

6.4 The Co-operative Training Centre which has been in existence since 1963, deals with the training of officials of the department. The Institute of Co-operative Education set up in 1968, deals with the training of the employees of the co-operative societies.

6.5 The mobile unit section has deployed 9 mobile units in the 9 co-operative regions which impart training to non-official co-operators. The audio-visual section prepares publicity material in collaboration with the League.

6.6 The nature and extent of the role played by these agencies in the field of training can be assessed from the statement at Annexure 'I' which indicates the training programme being implemented by the Training Centre in 1975-76.

6.7 During our field visits, while it was heartening to note that co-operative leaders were well versed in the principles and ideology of the Co-operative Movement and the accounts staff was fully conversant with the procedure of maintenance of accounts, etc., the societies seemed to be handicapped in the absence of qualified Managers. Very few societies had wholetime Managers on regular basis. In some cases retired employees of the Co-operative Department had been re-employed as Managers. In other cases ad-hoc arrangements had been made. If the recommendation regarding constitution of common cadres of Managers to be administered by the National Federation and the Provincial Federations is accepted, arrangements will have to be made for training these new Managers and the training capacity of the Institute of Co-operative Education will have to be strengthened substantially.

6.8 A study of the curriculum indicates that the emphasis is mainly on the principles of the Co-operative Movement and not adequate attention is being given to the changes which have come about in the functions of the managers as a result of the expansion of the marketing and processing activities of the societies. The contents of the training courses will have to be modified to include elements of business management, cost accounting, etc. The assistance of the institutions which provide training in these specialised fields to the personnel in the private sector will have to be sought both for the preparation of the curriculum as also recruitment of suitable personnel.

6.9 During our field visits we gathered the impression that the mobile units had not proved effective for various reasons. As with the introduction of Common Cadres the work of training of the employees of the Co-operatives is likely to increase substantially, it will be desirable to convert the mobile units into permanent Regional Training Centres, where one to three days' courses could be organised for the non-official co-operators and long-term courses for the managers and other employees of the co-operatives.

CO-OPERATIVE LEAGUE OF THAILAND

6.10 The League is a non-governmental apex organisation created under the Co-operative Societies Act, as amended in 1968. It is a non-profit organisation to which all types of co-operatives are affiliated. It is charged with the responsibility of giving assistance to co-operative societies on education training as well as co-operative development. In 1974, 1316 societies of various types were affiliated to the League.

6.11 The League is expected to promote and develop the co-operative movement in Thailand and to educate and assist the leadership within the co-operative movement. It is also expected to serve as the representative and spokesman of the co-operatives in the country.

6.12 The Board of Directors of the League is composed of 33 members, not less than 12 of whom must be elected and not more than 5 are nominated by Government to represent the various departments dealing with the co-operatives.

6.13 The income of the League is derived solely from the statutory contributions of the affiliated societies. Under Section 31 of the Act, every society has to contribute 5% of the annual net profits, but not exceeding 5,000 baht per society. The Government has not given any financial assistance to the League. On the other hand the League bears a part of the expenditure on the training of the employees of the co-operatives. While the expenditure on the teaching staff is borne by the Government in the case of the employees of the co-operatives, the expenditure on daily allowance, transport charges, etc. is borne by the League.

6.14 Following suggestions have been made to make the League more effective in performing its functions :-

- i) At present there is no clear demarcation between the functions of the League and of the Co-operative Training Centre. Since the League is a statutory non-governmental organisation responsible for promoting the movement, the entire responsibility for training

and education of the co-operative leaders as well as the employees should be entrusted to the League. The Co-operative Training Centre should confine itself to the training of the Government Officials. In that event, the mobile units which have been proposed to be converted into Regional Co-operative Training Centres, and the Institution of Co-operative Education will have to be transferred to the Co-operative League.

- ii) Since Government is already incurring expenditure on the training of the employees and the non-official co-operators, Government should give a grant to the League of an amount equivalent to the present budgetary allocation to enable the League to meet the additional expenditure. The Co-operative Societies Act provides for such assistance from Government.
- iii) The present limit of 5,000 baht for contributions from the affiliated societies to the League is inadequate. A number of societies are in a position to increase their contributions, if this limit is removed. Since the Government is finding it difficult to finance the activities in the field of training and education, this limit should be removed so that co-operatives are enabled to contribute 5% of their net annual profits to the League.
- iv) A full fledged Co-operative College should be eventually set up under the auspices of the Co-operative League of Thailand, so that the co-operative societies would have no difficulty in recruiting persons who have specialised in co-operatives at the academic level. At present the Kastestart University conducts a programme in which students can major in co-operation. However, our discussions with the teachers of the University gave us the impression that the education tends to be too theoretical and academic. An organisation like the League which is already engaged in imparting training to the employees of the co-operatives, would be able to improve the contents of the training course and make it more practical and field oriented.

- v) The League is also handicapped because it does not have a printing press of its own. On the other hand, the ACFT is running a press. Since printing and publishing are the legitimate activities of the League, it should be possible to transfer the press from the ACFT to the League. There appears to be a feeling in some quarters that running a press is a commercial proposition and the League being a non-profit organisation is debarred from undertaking commercial activities. The apprehension does not seem to be justified. A perusal of the various provisions of the Act indicates that the League is empowered to receive income from the sale of publications, documents and other services rendered by it. It is also empowered to receive benefits from its property. Thus, there is no legal bar on the League owning and running a press as part of its legitimate activities. If necessary, legal opinion can be sought on this point.
- vi) Since the League is the spokesman of the movement, it should be consulted by Government in all important matters concerning Co-operative Legislation, policies, etc. It should be given representation on all Committees and other bodies of Government dealing with co-operatives.
- vii) The League should act as the clearing house of information for the affiliated co-operatives. It should periodically organise seminars of representatives of co-operatives to discuss their problems. Representatives of the BAAC, DAE, ACFT, National Economic and Social Development Board, National Bank of Thailand, etc. should be invited to participate in these seminars.
- viii) As has been mentioned, the training now being imparted to the employees of societies is oriented more towards co-operative principles, philosophy and book-keeping and less to co-operative management. It does not take into account the technical functions which the Managers are now called upon to perform. For example, there is no organisation which imparts periodical training to

the managers of rice mills on the technology of rice milling, marketing of rice, collection of marketing intelligence and other similar technical matters. The managers of the dairy co-operatives need to be trained in the various aspects of dairying i.e. animal sciences, including feeding, breeding and management of dairy cattle, the procedure of milk collection, dairy technology, including testing of fat and SNF, chilling of milk, processing, etc. The department proposes to establish 22 fishery co-operatives in the next plan at the rate of 2 societies per year. The managers of these societies need to be trained in all matters relating to fishery. The Co-operative League of Thailand should be assigned the task of organising technical training in the fields mentioned above with the help of the departments concerned and experts from the private sector, if necessary.

The above three instances are only examples of the type of work in which the League should involve itself. Instead of centralising the training facilities in Bangkok, the proposed Regional Training Centres could specialise in these sectors apart from organising general courses for the subordinate staff of the societies. For example, the training centre to be set up in the Central Region could also serve as the national training centre for rice milling; the one in the North-east could concentrate on dairying and livestock development with the society at Muaklek as the base; and the centre in the Southern Region could specialise in fisheries. It has been separately proposed that National Federations of dairy co-operatives and fishery co-operatives should be organised. These Federations should also constitute common cadres for the societies affiliated to them and approach the League for providing professional training to the managers of the common cadres.

- ix) There is also an urgent need for consolidation and codification of all the instructions issued by the Government and the various Apex Institutions from time

to time. The various instructions issued by the BAAC from time to time regarding lending policies and procedures need to be consolidated. Similarly, detailed manuals dealing with distribution of fertilisers and marketing of rice and maize will have to be prepared. The League may be entrusted with the task of preparation of manuals on various aspects of co-operative movement i.e. credit, marketing, input distribution, farm guidance, etc. The manuals could be in the form of loose folders, so that obsolete instructions could be taken out and fresh ones inserted from time to time. The manuals will also lay down the duty charts of the employees of the societies and give a calendar of operations. Separate manuals will have to be prepared for diary co-operatives, fishery co-operatives and rice milling co-operatives. The manuals should standardise the maintenance of accounts, registers and other returns to be sent to various offices, so that uniformity is brought out in these matters. It may be added that at present various co-operative societies have adopted different co-operative years, which leads to a good deal of confusion in the compilation of annual returns.

- x) The League should organise visits of the representatives of the relatively weaker societies to the more successful ones like the Banlard and Soongern Societies, so that they could learn from the experience of these societies.
- xi) One of the features of the co-operative movement in Thailand is the absence of strong non-official co-operative leadership, especially at the national level. The League should bring together dedicated and public spirited co-operative leaders functioning at the local and provincial levels and encourage them to assume leadership of the movement at the national level, so that eventually the movement is led by the co-operative leaders themselves.

CHAPTER 7

CO-OPERATIVE MANAGEMENT

7.1 It has been repeatedly mentioned in the preceding pages that one of the most serious problems facing the agricultural co-operatives in Thailand is the lack of qualified managers in the societies. This difficulty was mentioned in almost every society that we visited. Traditionally, officers of the CPD have been managing the affairs of the Co-operatives with the help of the Chairman and the elected Secretary of the Society. This was perhaps adequate when the area of operation and membership of the societies were limited and their functions were confined to providing credit. The average society now caters to about 700 members and performs multifarious functions. It will be impossible for a Government Officer to perform all these functions efficiently even if he were to devote all his time to the affairs of the society, which he cannot do. The elected office bearers, for obvious reasons, are not equipped to perform all the duties expected of the managers.

7.2 One of the difficulties in attracting qualified persons to serve as managers is the low salaries offered by co-operatives. The elected office bearers are reluctant to sanction attractive pay scales because they fail to realise the importance of having competent managers. They compare the manager's emoluments with the per diem allowance paid to them.

7.3 Even if the emoluments are made attractive, ambitious youngmen will be reluctant to join the co-operatives as they would think in terms of long-term career and more challenging assignments in future. If a youngman joins a co-operative as Manager, the prospects are that he will retire as the manager of that very co-operative and the prospect of stagnating in the same co-operative for his entire career does not appeal to him. There is also no security of service in a co-operative.

7.4 It is for these reasons that in some countries the concept of a common cadre for a group of societies has been evolved. Usually the Apex Society takes the lead in the matter and formulates

a scheme laying down the qualifications for initial recruitment, pay scales, service rules, etc. in consultation with the affiliated societies which agree to participate in the scheme. For example, if the scheme relates to the recruitment of managers, there can be three grades for managers with three different grades of pay scales. The affiliated societies, in turn are classified into three categories depending on the volume of their turn-over. Appointments are made having regard to the working capital of the society i.e. a grade III Manager will be appointed to the society of the third category. If the society improves its business and becomes eligible to be included in a higher category, the manager is automatically promoted to grade II. There are two ways for meeting the expenditure of the staff. Either the affiliated society pays the salary or it contributes a certain percentage of its volume of business to the Apex Society for meeting the expenditure. In the latter case, the salary is paid by the apex society. The apex society also contributes to the common cadre fund.

7.5 In case the society in which a manager is working is not satisfied with his work, it is entitled to ask for his transfer or impose minor punishment. Major punishments can, however, be imposed by the Cadre authority i.e. the Apex Society.

7.6 A scheme of this nature provides the managers with opportunities for promotion upto the level of manager of the Apex Society. It, therefore, provides to them an incentive to improve their performance.

7.7 In some States in India, District Co-operative Banks operate such cadres for the primary societies affiliated to them and the State Co-operative Banks operate similar cadres for the District Co-operative Banks. The State Co-operative Marketing Federations also have a common cadre for the affiliated marketing societies.

7.8 While a common cadre of this kind has a number of attractive features, it should be noted that this is not an unmixed blessing. The dis-advantages are :

Firstly, the manager is technically not an employee of the society and, therefore, he is not amenable to

the supervision of the Board to the same extent as in the case of an employee of the society. Secondly, if there is a conflict of interests between the society and the apex body, the manager will lean towards the interests of the apex society.

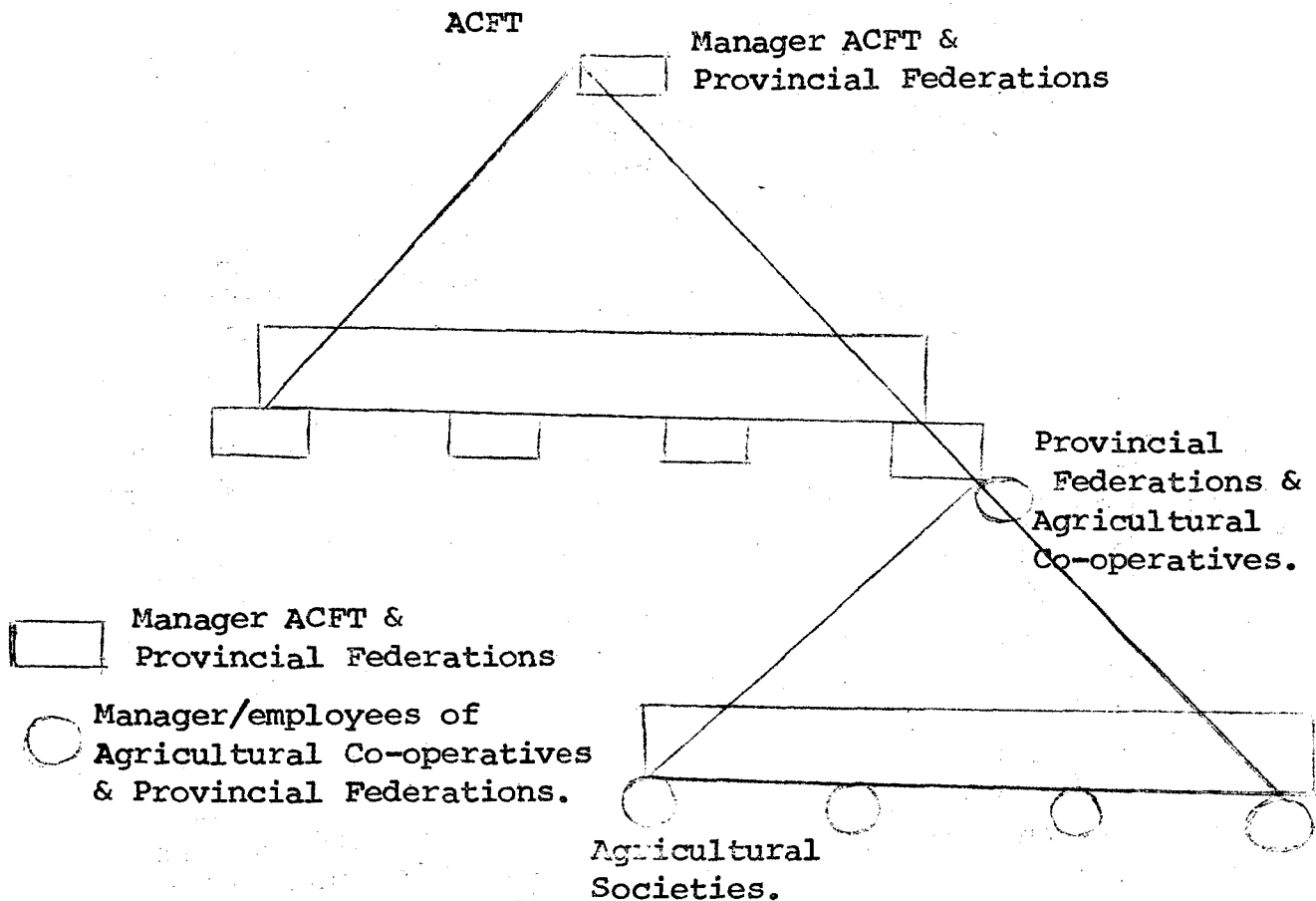
Thirdly, since he is an employee of the apex society, he is not subservient to the local officer of the Co-operative Department and the local officer also becomes ineffective to that extent.

Fourthly, as they belong to a single common cadre, they tend to exercise their own collective bargaining power and tend to develop a trade union approach vis-a-vis the Co-operatives.

7.9 Although the disadvantages are not insignificant, the experience of those States in India which have introduced common cadres, has indicated that the balance of advantage lies in favour of such cadres. The introduction of such cadres has brought about considerable improvement in the business efficiency of the affiliated societies and has brought them much closer to the apex body and has achieved closer vertical integration. Since the managers are in a hierarchical set up, they have good promotion prospects and can look forward to advancement in their careers on the basis of their performance. Their careers do not depend on the whims and fancies of the members of the Board and the managers cannot be pressurised to commit irregularities by unscrupulous members of the Board. The lack of effectiveness of the local officers of the Co-operative Department can be made good if the apex organisation is strong and effective and is in a position to closely supervise the work of managers.

7.10 The introduction of common cadres seems to be one of the ways of improving the management efficiency of the agricultural co-operatives in Thailand. Obviously, it will be impossible for the ACFT to administer a cadre for all the 500 and odd societies in the country. It should, however, be possible to introduce a common cadre for the Provincial Federations and the ACFT. The Provincial Federations, in turn, may be encouraged to introduce such cadres for primary societies affiliated to them. The

organisational pattern of the common cadres would be broadly as follows :-



7.11 After the initial recruitment, the managers will have to be given intensive training at least for a period of six months, as discussed elsewhere.

7.12 In the course of our discussions with the Government officers and co-operative leaders about the feasibility of introducing common cadres in the co-operative structure in Thailand, most people welcomed this suggestion. The members of the Board of Directors of the local co-operatives did not feel that appointment of a manager by the Provincial Federations would amount to diminution of their autonomy. The only fear expressed by some members was that the managers of the Cadre, if recruited

in Bangkok may not like to be posted far away from their homes. Secondly, since most managers would like to serve very near their homes, it may not be practicable to transfer them to other societies after their initial appointment. These difficulties do not appear to be unsumountable. Officers of the Co-operative Promotion Department are even now being transferred from one part of the country to another. Gradually, the managers of the agricultural co-operatives will get used to the idea of such transfers. Besides, once a manager settles down in a society, he too will be reluctant to move and, in case he does well in the society, it may not be necessary to transfer him at all. In practice such transfers will be few and far between. But the very existence of the possibility of such a transfer would spur the managers to greater involvement in their work so that they earn the confidence of the Members of the Board.

7.13 A broad outline of the scheme of common cadres is given in Annexure 'C'.

CHAPTER 8

AGRICULTURAL CO-OPERATIVES & THE POOR

8.1 One of the terms of reference given to us relates to the assessment of the present involvement of the rural poor in food production through co-operatives and to recommending ways in which this involvement could be substantially increased for the development of the rural poor through co-operative efforts for food production.

8.2 As would have been apparent from the previous chapters, agricultural co-operatives in Thailand today do not cater to the poor. The members of co-operatives belong to richer sections of the community and are ordinarily much better off than the average farmers. The rules for admission to the society are weighed heavily in favour of the rich.

8.3 It has not been the policy of the Government to ameliorate the conditions of the poor farmers through co-operative effort. The usual response to any suggestion about bringing the poor into the Co-operatives is that the Co-operatives are not charitable organisations and are meant only for those who can help themselves.

8.4 As mentioned earlier it is perhaps this very exclusiveness of the co-operatives which prompted the Government to set up the Farmers' Associations. The membership of these Associations is broad based and any one who is cultivating land irrespective of the size of his holding is entitled to become a member. In effect therefore, the Farmers' Associations appear to be far more representative of the farming community than the agricultural co-operatives.

8.5 It has already been stated that the existence of the two parallel organisations namely, Farmers Associations and Agricultural production. Since the co-operatives are older and better established institutions it will be advisable to merge the Farmers'

Associations into co-operatives and relieve the extension functionaries of the DAE from the task of supervision of these Associations, so that they can give their undivided attention to their primary task i.e. agricultural extension. Apart from rationalising the work of the two departments namely, CPD and DAE, this merger would also bring the relatively less affluent farmers into the co-operative fold and make the co-operatives more broad based and representative.

8.6 Another suggestion which has been made in this connection is regarding liberalising the requirements for membership, so that tenants and those not having clear titles to their land can also become members. The insistence on mortgage of land as a precondition for membership in case of those who own land should be done away with. The various other changes which have been proposed in the loaning policies and programmes will also induce poorer farmers to join the co-operatives and broaden their base.

8.7 The Government will also have to take a clear policy decision to utilise the co-operatives for improving the economic conditions of the poor. If this policy is accepted, a directive will have to be given to give preference to small and marginal farmers in the membership drive.

8.8 In other countries attempts have been made to improve the conditions of the poor through co-operatives by organising separate co-operatives in the fields of dairy, poultry, piggery and similar ancillary occupations. In these countries separate co-operatives in these fields had to be organised because bulk of the poor do not own or cultivate land. In Thailand the situation is different. Landless agricultural labour constitutes less than 1% of the total labour force. Secondly, the occupations mentioned above are very well organised in the private sector and there is keen competition among the relatively large ventures which also enjoy the economies of scale. It will, therefore, be very difficult for the small co-operatives to make a break through in this field, unless Government incurs a good deal of expenditure for providing the necessary infrastructural support. Since it is the relatively richer farmers who are engaged in these occupations, even if the Government were to provide the necessary infrastructure, the poor will not receive

any substantial benefit. Hence it would not be advisable to organise separate co-operatives in these fields specifically for the benefit of the poor in Thailand.

8.9 The poor in Thailand are small farmers, especially those in the North-east who cultivate land which is of poor quality and unirrigated. The incomes of these farmers can only be raised by introduction of suitable crops and provision of necessary inputs which can best be done by organising agricultural co-operatives or enrolling them in the existing agricultural co-operatives. These co-operatives would also be able to give loans to those members who wish to undertake the ancillary occupations and also assist them in marketing their products.

8.10 Since till recently adequate land was available, the traditional approach of the Govt. to the problem of the poor in Thailand had been to set up Land Settlement Projects. The Government used to acquire large compact blocks of forest areas and allot small plots of land to the landless farmers and other less privileged sections. A number of Departments have been setting up such Land Settlement Projects. Though there are individual variations in the programmes of the various Departments, the broad patterns are similar. The Departments involved are :

- i) Department of Public Welfare in the Ministry of Interior.
- ii) Bureau of Accelerated Rural Development (BARD) in the Ministry of Interior.
- iii) Division of Land Co-operatives in the Department of Co-operative Promotion.
- iv) Department of Land Administration in the Ministry of Interior.
- v) Department of Land Development in the Ministry of Agriculture.
- vi) National Security Command, Ministry of Defence.

DEPARTMENT OF PUBLIC WELFARE

8.11 Since the Department of Public Welfare has been in this field for a very long time and has set up the largest number of such projects so far, it would be useful to describe the broad features of these projects.

8.12 'Self-help' Land Development Projects under the Department of Public Welfare are of the following categories :-

A. Ordinary Settlements for the Landless:

The largest number of settlements belongs this category.

B. Southern Development Settlements:

These are in the Southern border areas set up with the aims of settling Thai citizens on the vacant lands near the Malaysian border.

C. Dairy Settlements:

At present there is only one Dairy Settlement in Saraburi Province (Muaklek Society already referred to) where a dairy project along with a processing plant has been set up with Danish collaboration and land has been allotted to the farmers for raising milch cattle.

D. Re-settlement Projects for settling those who have been evacuated from their lands consequent on construction of multi-purpose irrigation projects.

E. Settlements for Evacuees from border areas.

F. Border Settlements for settling landless farmers on the borders of Laos and Cambodia.

8.13 Typically, a land settlement project covers an area between 5,000 rai to 15,000 rai. After acquisition, physical planning of the lay-out of the roads, farm areas, etc. is finalised by the Department of Public Welfare and all the infrastructural facilities, namely roads, school, dispensary, etc. are provided by the Department. On an average a settlement consists of about

70 families. The settlers are chosen from among those who do not own land. A settler is usually allotted about 2 rai for his homestead and 15 to 20 rai for cultivation. The project staff includes an Extension Officer (Agriculture) who deals with the introduction of new crops, distribution of seed, fertilisers, pesticides and provision of agricultural extension, etc.

8.14 The settlers cannot transfer their land nor can they mortgage them for securing loans. They can, however, acquire full ownership after cultivating the land for 15 to 20 years.

8.15 Co-operative Societies have been organised in some of these projects for the supply of inputs, credit, hiring of tractors, etc. Some of these societies are also involved in marketing of agricultural produce. The farm guidance work is attended to by the Agricultural Extension Officer and the societies do not have any staff for this purpose.

8.16 To date, 53 such projects have been established by the Department of Public Welfare. However, Co-operative Societies have been organised only in 26 projects. Since the settlers in these projects belong to the weaker sections of the community, a high priority is required to be given to organising co-operatives in the remaining settlements. It may be added that since the Department of Public Welfare provides all the infrastructural support as well as agricultural extension facilities and even financial support by way of loans and subsidies to the co-operatives, these societies have much better chances of success. In the course of our visits to a number of such projects, it appeared that the co-operative societies organised in these projects were generally more successful than the other agricultural cooperatives.

8.17 According to the present instructions of the CPD, a minimum of 150 members are required for registration of a new co-operative. In most of these projects, the number of families is less than this stipulated number. The officers of the CPD, therefore, seem to be reluctant to organise co-operatives in these settlements. In the light of the experience of these societies and since their membership is more cohesive and homogeneous, the stipulation regarding the minimum number of members need not be made applicable in the case of these societies.

BUREAU OF ACCELERATED RURAL DEVELOPMENT

8.18 The Bureau of Accelerated Rural Development (ARD) in the Ministry of Interior is also implementing similar programmes in the political sensitive areas, mainly in the North-east. It does not allocate land, but organises the people mostly from among the poor into "groups" and provides them with agricultural extension, credit, marketing outlets, fertilisers and other inputs, etc. Officers of the ARD claim that these "groups" provide a more comprehensive range of facilities than those provided by the agricultural co-operatives. Both the Farmers' Associations and Agricultural Co-operatives also operate in the area of operation of the ARD groups but the membership is mutually exclusive.

8.19 The development of these groups is in three stages. In the first stage, small groups called "Growth Areas" with an average membership of 100 farmers are organised. In the second stage, these "Growth Areas" are converted into "groups" with relatively larger membership. In the third stage, the "groups" are converted into co-operatives. So far 28 "groups" have been formed out of which 7 have been converted into co-operatives. 12 "Growth Areas" i.e. smaller groups are also functioning. The total membership of all these groups is about 35,000.

8.20 Except in the matter of registration of the co-operative and its annual audit, there does not seem to be any link between the Department of Co-operative Promotion and the ARD. The ARD has its own staff of Advisors mainly based in Bangkok. On an average an Advisor looks after 3 groups. The groups have their own Managers and Accountants.

DIVISION OF LAND CO-OPERATIVES
IN THE DEPARTMENT OF CPD

8.21 The Division of Land Co-operatives also implements land settlement projects similar to those organised by the Department of Public Welfare. The main difference between the two is that while co-operatives are incidental in the case of the Settlements of the Department of Public Welfare, in the case of land co-operatives, membership of the co-operative is compulsory.

8.22 In 1974 there were 190 land co-operatives and the category-wise break up was as follows:

i) Land Settlement Co-operatives	: 174
ii) Land Hire Purchase Co-operatives	: 11
iii) Land Tenant Co-operatives	: 5

8.23 The functions of these co-operatives have already been described in Chapter 3 and, therefore, they need not be elaborated here.

8.24 An average Land Settlement Project covers an area of about 30,000 rai and each member is given about 15 to 30 rai of land. On an average, a project covers about 600 members.

8.25 The Division of Land Co-operatives proposes to set up 7 such projects every year in the next Five-Year Plan.

DEPARTMENT OF LAND ADMINISTRATION
IN THE MINISTRY OF INTERIOR

8.26 The Department of Land Development in the Ministry of Agriculture and the National Security Command in the Ministry of Defence are other organisations which also set up similar projects.

8.27 Since these projects and the co-operative societies which have been organised in some of them, represent the most effective and comprehensive effort to serve the poor through co-operatives, more attention needs to be given by the Department of Co-operative Promotion to these projects.

8.28 At present among these, the Department of Co-operative Promotion looks after only one type of co-operatives namely, those organised by the Division of Land Co-operatives and is not concerned with the co-operatives in the projects organised by other departments except in so far as legal and audit matters are concerned. Since the co-operatives organised in these projects perform similar functions, it will be worthwhile to examine whether all these co-operatives should not be dealt with in the Division of Land Co-operatives, so that there is uniformity in the

policies and programmes relating to them. If, for administrative reasons, this suggestion is not found to be feasible, there should at least be a forum for co-ordination and exchange of experience among the various agencies which are implementing projects which are identical in nature.

8.29 It is learnt that a proposal for transferring all these projects to the Land Reforms Bureau was under the consideration of the previous Government. However, since the Division of Land Co-operatives is already dealing with its own projects, this Division appears to be the best agency for co-ordinating this work. It may not be necessary to transfer the administration of the projects to this division. Only the work relating to the organisation and supervision of the co-operatives registered in these projects, should be co-ordinated in the Division of Land Co-operatives.

LAND REFORMS

8.30 The Land Reforms Bureau has an ambitious programme of re-distribution of land. The Land Reforms Act, which was passed in March 1975, envisages the establishment of an Agricultural Land Reforms office for implementing this programme. The Act empowers this organisation to allocate upto 50 rai per family. Those owning more than 50 rai will be permitted to retain their land provided they cultivate it themselves. The absentee land-lords will have to surrender their lands in excess of 50 rai. The Act authorises the Agricultural Reforms Office to purchase lands from such farmers on 25% payment in cash and 75% in Government bonds.

8.31 The programme launched in October 1976, aims at redistribution of 10 million rai to about 500,000 families in the next five years. In 1977 it is proposed to allocate 1.44 million rai under this programme. This is an extremely ambitious programme considering the fact that in the year 1975-76 only 19,700 rai were distributed.

8.32 The programme has been divided into three stages. In the first stage, land will be distributed among the farmers. In the second stage, Government will help the farmers to raise their

production and market their products at remunerative prices. In the third stage, farmers will organise themselves into Co-operatives and Farmers' Associations.

8.33 It will thus be evident that co-operatives have been given an important place in the Land Reforms Programme. Since some of the farmers who will be given land, will be new to agriculture and may not have the necessary resources to invest in cultivation, co-operatives can play a useful role in providing credit and other inputs to these farmers.

8.34 However, instead of leaving it to the farmers to organise themselves into co-operatives in the third stage, the registration of co-operatives should commence simultaneously with the allocation of land in the very first stage. In fact, membership of a co-operative should be an essential condition for allocation of land to the landless. It will, therefore, be desirable to plan the organisation of co-operatives as a part of the Land Reforms Programme right now. The Department of Co-operative Promotion will have to be actively involved in this process. Organisation of co-operatives should be an integral part of the Land Reforms Programme. The farmers to whom land is allotted under this programme, should be organised into Settlement Projects on the basis of the projects organised by the Department of Public Welfare. Agricultural extension and provision of credit & inputs should be one of the functions of the project authorities. The magnitude of the task is colossal and the Department of Co-operative Promotion will have to gear itself to this task and draw up a detailed programme in consultation with the Land Reforms organisation.

CHAPTER 9

GENERAL OBSERVATIONS & RECOMMENDATIONS

9.1 Agricultural Co-operatives in Thailand today, both the newly amalgamated co-operatives, land co-operatives and to a lesser extent, the Provincial Federations, are basically sound organisations. Their financial position is also generally satisfactory. The Agricultural Co-operatives are closely supervised by the departmental staff. The non-official leadership is also imbued with co-operative ideology and is very closely involved in the working of these societies. There is very good understanding between the officials of the Co-operative Promotion Department and the members of the Board of Management. Another healthy feature of the movement in Thailand is that there is hardly any interference from local politicians or other outside agencies.

9.2 Looking at the other side of the balance sheet, however one is struck by the fact that co-operatives are playing a very limited role in agricultural production. The membership covers only 10% of the population. Co-operatives have not been organised in a number of districts. Even in the most successful societies, the membership does not extend to more than 15 to 20 % of the people residing in its area of operation.

9.3 Secondly, the agricultural societies draw their members from a very larger area, some times 40 to 50 villages, and relatively richer farmers from these villages are members. The average land holding of the members, appears to be much higher than the average land holding in the area. More than 80% of the members appear to be land-owners. Small and marginal farmers and other weaker sections are not members of the co-operatives.

9.4 Thirdly, the spread of the movement is uneven in the various parts of the country. Over 60% of the societies are concentrated in the prosperous Central Region; whereas only 21% are in the North-East, 8.81% in the Northern Region and 9.17% in the Southern Region. The movement is lagging behind in the backward parts of the country.

9.5 Most of the agricultural co-operatives are multi-purpose only in name. Provision of credit is the most important function. A survey conducted by Mr. Pradit Machima in 1972 indicated that nearly 95% of the income of a co-operative was drawn from interest on loan, while 2.27% was drawn from business activity and 3.04% from miscellaneous items.

9.6 The plan of the Department of Co-operative Promotion envisages expansion at the rate of 10 new societies per year and increasing the membership of the existing societies from 680 to 1,000. The target of increasing the membership should perhaps be more ambitious, so that at least 50% of the population is brought under the co-operative fold in the next five years. The proposed merger of the Farmers Associations and enrolment of individual clients of the BAAC as members of the co-operatives would help to increase the members of the co-operatives substantially.

9.7 One gathers the impression that the supervision of the societies by the departmental officers is somewhat excessive. After amalgamation, by and large, only one or two societies are under the charge of a District Officer and almost invariably his office is located in the premises of the society. Such close supervision seems to be partly responsible for lack of initiative and self-confidence among the members of the Board as well as in the professional managers. It is perhaps because of this that the societies have not felt the need of having their own trained and qualified Managers. Now that most of the agricultural co-operatives have got over the problems involved in the process of amalgamation, the Department should gradually withdraw its staff from the routine duties of the societies and utilise it for organising new societies and enlarging the membership of the existing societies at a more rapid rate than has been envisaged.

9.8 Another interesting feature of the movement in Thailand is the existence of a parallel organisation namely, the Farmers' Association, which has already been referred to. While initially these organisations were perhaps formed to assist the agricultural extension functionaries in transferring the technology to the farmers through the group approach, these associations have gradually taken over most of the functions of the co-operatives.

In addition, these Associations have the blessings of the Department of Agricultural Extension as that Department not only channelises technical know-how but also distributes seeds, fertilisers and other inputs, sometimes at subsidised rates, to the members of these Associations. To that extent co-operatives have been deprived of the guidance and assistance of the extension functionaries. As pointed out earlier, the existence of these two parallel organisations does not serve the interests of either of the two departments. On the other hand, efforts of both the Departments get diluted. Under the present arrangements a good deal of time and effort of the extension staff of the DAE is wasted in guiding and supervising the work of the Farmers' Associations and arranging supply of inputs, etc. tasks for which they are ill-equipped in terms of their training, experience or aptitude. As it is, the extension network is very thinly spread. Government can ill afford to burden this scarce trained manpower with such additional tasks which are not in their legitimate sphere. Supply of credit and inputs are commercial functions and can be best performed by Co-operatives which are business organisations having experience in these fields.

9.9 It must, however, be clarified that strictly speaking these two are not parallel organisations because while the Farmers' Associations function at Tambon level, co-operatives are organised at the district level. The Farmers' Associations have not yet started marketing functions.

9.10 Perhaps the Government felt it necessary to promote these Farmers' Associations partly on account of the conservative and rigid approach adopted by the co-operatives in the admission of new members and grant of loans, etc. Although most of the societies now are with limited liability, the approach which was valid when the societies were organised on the basis of unlimited liability still seems to govern the thinking of the co-operative leaders both official and non-official. Restricted membership, distinct preference for prosperous land-owners, the unwritten rule regarding mortgage of land by prospective members as a precondition for membership, security oriented lending policies, etc. seem to have led to a feeling among the general public that co-operatives are clubs of the rich landowners and are not open to the ordinary rank and file.

9.11 In the course of our field visits, the re-action of the co-operators to the suggestion that Farmers' Associations should be merged with the co-operatives was not generally favourable. The general feeling appeared to be that the Farmers' Associations are semi-political bodies which are badly managed and, therefore, their merger with the co-operatives would not only tarnish the image of the co-operatives but also burden them with liabilities. It was not appreciated that with the patronage and assistance from Government, these Associations might eventually overcome their weaknesses and finally eclipse the co-operatives. As emphasised earlier, co-operatives cannot function in a vacuum. They can perform their functions only as a link in the chain of agricultural production and without the support of Government and other agencies involved in this field, they will be unable to make an effective contribution to increasing food production.

9.12 In view of the foregoing, it seems quite clear that the first step towards strengthening of the co-operative movement would be to draw up a time-bound programme for the merger of the Farmers' Associations with the co-operatives. Although the intention to merge these two agencies was announced years ago, no concrete steps seem to have so far been taken in this regard, apparently on account of reservations on both sides. The process of merger will not be painless, but any delay would only cause further complications. The merger would not only broaden the base of membership of the co-operatives but also make them more representative and flexible in their approach. In the process of merger, co-operatives will have to make some adjustments, but in the long run this step will only strengthen the co-operative movement.

9.13 Since the Farmers' Associations are organised at the tambon level, they could join the agricultural co-operatives organised at the district level. In other words, these associations can form constituents of the agricultural co-operatives without much difficulty.

9.14 Co-operatives would be able to play a more effective role in increasing food production if they are assigned a specific role in the country's food production programme and the operational programmes of the Department of Agricultural Extension are closely co-ordinated with the programmes of the Department of Co-operative

Promotion not only at the national level but also at the provincial and district levels. This, of course, presupposes the existence of a concrete quantifiable annual programme of the Department of Agricultural Extension in terms of the additional area to be brought under cultivation in respect of various crops, province and district-wise programmes for distribution of credit, seed, fertiliser, etc. to achieve the targets of production. Such a programme does not seem to exist at the moment. Based on these national targets, the co-operatives could be assigned specific targets for provision of credit, distribution of fertiliser, inputs, marketing, etc. which, in turn, could be further sub-divided into targets for each co-operative. The co-operatives also should have an annual business plan indicating the targets for additional membership and volume of business operation, etc.

9.15 If a detailed programme of this nature is drawn up and specific targets are assigned to the functionaries at the provincial and district levels, it will be necessary to bring about more effective co-ordination between the working of Departments of Co-operative Promotion and Agricultural Extension at lower levels. The Provincial Governors will have to be more intimately involved in the supervision and co-ordination of the programmes of these two departments.

9.16 That such close co-ordination between these two agencies yields results can be seen from the success achieved in the Self-help Land Settlement Projects referred to earlier. Since agricultural extension and infrastructural support to the co-operatives are provided by the Department of Public Welfare in these projects, the close understanding between the extension wing and the co-operative wing in these projects has been beneficial to both. The extension wing has been able to carry its message with the assistance of the co-operatives in the matter of supply of credit, inputs, etc. and because of the additional demand for inputs created as a result of the efforts of the extension wing, the volume of business of the co-operatives in these projects has increased substantially. In the light of this experience, steps should be directed towards bringing about such understanding at the district and provincial levels also. The pattern of relationship will have to be worked out. The merger of the Farmers'

Associations with the co-operatives will help in bringing the two departments closer and bring about greater co-ordination.

9.17 If the declared policy of the Government to support and promote co-operatives is to be translated into action, Government will have to assist the co-operatives in a big way. Till now although Government has been assisting in guiding, supervising and "promoting" the co-operatives, Government has not treated the co-operatives as an instrument of state policy. No specific role has been assigned to them in the National Social and Economic Development Plans. Co-operatives have not been given any privileges. What is being emphasised is that the Government should not only "promote" the co-operatives in the traditional sense, but should also own and treat the movement as an instrument for implementing its socio-economic programmes. It does not mean that the Government should necessarily participate in the share capital or get involved in the day-to-day management of the co-operatives. It has already been suggested that the staff of the Co-operative Promotion Department should be withdrawn from the day-to-day management of co-operatives and the societies should be encouraged to strengthen their own management. The support that is required from Government is in terms of policies. In specific terms, subsidies, if any, for promotion of new inputs should be routed through the co-operatives. If the co-operatives incur any loss in fertiliser distribution, etc. for reasons beyond their control, the loss should be underwritten by Govt. Similarly, in the matter of procurement and distribution of food-grains, co-operatives should be allowed to act as agents of Government. Preference should be given to the Co-operatives in allocation of quotas for export. Numerous instances of this kind can be given. What is being stressed is that there should be a change in the approach of the Government towards co-operatives.

9.18 Partly, the hesitation to support the co-operatives seems to stem from the fear that excessive support will impede the growth of the co-operatives towards self-reliance. The support is, however, required only in the initial stages and it should be given on a selective basis and should be withdrawn after the co-operatives becomes self-reliant. Even in countries like Japan, where the movement has now become strong and independent,

the present strength of the movement is, to a large extent, due to the massive support given by the Government in early stages. Also in the United States, which is the champion of free enterprise, the present form of credit system owes its origin to the capital initially provided by Government.

9.19 As mentioned above, the assistance should be withdrawn as soon as it becomes unnecessary. For example, in the initial stages Co-operatives in Thailand needed assistance in the management of co-operatives. But now they have reached a stage where they would be in a position to develop their own capabilities. Assistance is, however, required in marketing, processing and input distribution. The forms of assistance required have been spelt out in the previous chapters.

SUMMARY & RECOMMENDATIONS

9.20 Till now, increase in agricultural production in Thailand has been brought about by bringing additional area under cultivation. Since most of the cultivable forest lands have already been cleared, further increase in production both to feed its rapidly increasing population and to maintain and increase its share in the world Bank market competitive prices can only be achieved by increasing the soil productivity i.e. by increasing the yields. Over the years, while the total production has been increasing the average yields of major crops have been falling or at best remained static. For example, in 1907-11 the average yield of rice per rai was 302 kg. while in 1973 it was 279 kg. There is considerable scope for increasing the yield by adoption of available technology. The research institutions have done good work and have evolved package of practices for most crops. Improved varieties of seeds have also been evolved. The adoption of this technology, however, involves the use of high cost inputs, widespread dissemination of the technical know-how and creation of infrastructural facilities for marketing, processing, storage and transport. Agricultural Co-operatives can play an effective role in assisting the Government in providing some of these facilities and services and thereby supplement the efforts of the other Government agencies engaged in this field.

9.21 The following recommendations can be made for achieving the above objectives:

1. The policy of the Government towards the Co-operatives needs to be clearly defined. Till now, it has been one of guiding and "promoting" the co-operatives to develop on their own as a movement of the people. In actual fact, Government officers have been managing the Co-operatives and the Government has also given substantial financial assistance to the Co-operatives in various ways. However, co-operatives have not been assigned any specific role in the National Development Plans. With a view to bringing the policy in line with the reality and actively involving them in the programme of national development, the policy needs to be redefined. It should be clearly stated that the co-operatives will be assigned a definite role and will be used as an instrument of Government in the implementation of national development programmes. In turn, the Co-operatives should also have definite targets in the national plans.

2. At Present agricultural co-operatives covers only about 10% of the farm families. A clear time bound programme should be drawn up for increasing the membership by about 50% of the families are brought into the co-operative fold in the next five years. Additional staff requirements for this expansion programme should be worked out and provisions made in the national development plan.

3. There is a parallel organisation in the form of Farmers' Associations, which performs functions similar to those performed by the Co-operatives. Although there is a policy decision that eventually these Farmers' Associations will be converted into Co-operatives, no concrete steps have so far been taken in this direction. Since the existence of two parallel organisations is not conducive to agricultural development, a concrete action programme should be formulated for the merger of Farmers' Associations into Co-operatives.

4. With the merger of the Farmers' Associations into Co-operatives, the programmes of agricultural extension regarding distribution of inputs should be implemented through the co-operatives and for this purpose there should be effective co-ordination between these two Departments both at the stage of formulation of the policies and programmes and their implementation. The co-ordination arrangements should not be on ad-hoc basis and they should be institutionalised. Coordination arrangements should be worked out not only at the national level but also at the provincial and district levels. Provincial Governors should also be more closely involved in bringing about effective co-ordination at their levels in the working of these Departments.

5. A number of organisations are now engaged in the organisation and development of Co-operatives. Further, even within the co-operative fold there are no institutional arrangements for bringing about close co-ordination between the various sectors. At present there is no forum at the national level, where matters relating to Co-operatives can be discussed. It seems necessary, therefore, to establish a National Council of Co-operative Development which could guide the Government in policy matters and serve as the sounding board for the changes that the Government proposes to make in regard to its policies and programmes in regard to the Co-operatives. The National Co-operative Council should be headed by the Secretary General of the National Social and Economic Development Board. The Under Secretary for State Agriculture and Co-operatives, the Director General of Co-operative Promotion Department, Director General of Department of Agricultural Extension, Managing Director of the BAAC, Director of Co-operative League of Thailand, Representatives of the Bank of Thailand, ACFT, Consumer Federation, etc. should be appointed as members of this Council. The representatives of other departments namely, Department of Public Welfare, ARD, Land Reforms Bureau, etc. may be invited, if necessary. The Department of Co-operative Auditing should also be represented on this

Council. This suggestion regarding the composition of the Council is merely illustrative. The Council should be an Advisory Body and should meet at least once in three months. The National Social and Economic Development Board should serve as the Secretariat for this Council.

6. The most serious weakness in the functioning of the agricultural co-operatives is the absence of qualified Managers. The Department of Co-operative Promotion should initiate a programme of appointing competent Managers in the agricultural societies and Provincial Federations. The ACFT may be entrusted with the task of administering a common cadre for itself and affiliated Federations. The Provincial Federations could also be persuaded to organise common cadres for the societies affiliated to them. The CPD should take the initiative in the matter and formulate the rules and regulations, etc. in consultation with the ACFT and Provincial Federations.

7. With a view to providing incentive to the Provincial Federations and the ACFT to accept this scheme and to enable them to meet the cost of the scheme in the initial stages, financial assistance should be provided to the Federations and the cost of the Managers should be borne by the Government on a tapering basis for the first five years.

8. The Co-operative League of Thailand should be associated in drawing up a training programme for these Managers and specialised professional training should be arranged for them with the help of the League.

9. With the appointment of qualified managers, the task of supervision of the affairs of the societies should be gradually transferred from the departmental officers to the higher tier organisation. In the case of the primary societies, the Provincial Federations the supervision should be the responsibility of the ACFT.

10. With the transfer of supervision to the higher tier organisations, the role of Government officials should be limited to performing statutory functions. Government officials should be gradually withdrawn from the normal day-to-day operations of the societies and they should devote themselves to Co-operative Education, increasing the membership of the societies, etc.

11. The present restrictive provision in the bye-laws in regard to the admission of new members should be removed. Emphasis should be given to the enrolment of small and marginal farmers as members of the co-operatives. The membership requirements should be similar to those in vogue in the Farmers' Associations.

CREDIT

9.22

1. At present in addition to the BAAC, Government also provides loans through various Departments and agencies. There should be only one agency dispensing the credit, so that there is uniformity in the lending criteria. Government should discontinue direct lending to the Co-operatives. Instead, the BAAC should be strengthened financially. There should be a unified credit system for all categories of borrowers.

2. The present policy of Government of providing loans at 2% interest from the Co-operative Promotion Fund and the Farmers' Aid Fund prevents the Co-operatives from approaching the banks for meeting their working capital and term loan requirements. Instead of subsidising the working capital, the amount available in these two funds should be utilised to promote the Co-operatives by way of providing managerial subsidy, assistance for setting up a common cadre, conducting feasibility studies for new ventures, etc.

3. At present the BAAC extends credit to (i) individual clients, (ii) agricultural co-operatives and (iii) Farmers' Associations. For various reasons, the

co-operatives receive a low priority. Along with the merger of the Farmers' Associations into Co-operatives, the individual clients should also be enrolled as members of the Co-operatives in a phased manner, so that the BAAC becomes, in fact, a Bank for co-operatives.

4. Immediate steps will have to be taken to improve the recoveries from the societies to the bank which are now around 16%. For this purpose the lending procedures will have to be considerably simplified, so that societies can be assured of getting fresh advances after repayment of outstanding loans.

5. Since the demand for long-term loans from members of the societies for purchase of tractors, minor irrigation, etc. is likely to rise, the BAAC will have to finalise procedures for grant of long-term loans to members of co-operatives.

6. The lending policies of the BAAC are rather conservative and security oriented. The procedures are also cumbersome and time consuming. The following suggestions are being made with a view to liberalising the lending policies and simplifying the procedures:-

- i) The present limit for loans without mortgage appears to be low. There is a case for upward revision of this limit having regard to the actual cost of cultivation of a holding of average size.
- ii) No clear guidelines are available to the field staff for working out loan eligibility of a members. Scales of finance should be prescribed for various crops in consultation with the Department of Agricultural Extension, so that Managers of the Co-operative Societies as well as the field staff are able to apply uniform criteria for assessing the loan requirements.
- iii) A system of crop loan should be introduced and efforts should be made to give a part of the loan in kind.

- iv) Seasonality should be introduced both in lending and recoveries.
- v) More than 50% of the farmers do not have recorded rights in land and are at present outside the purview of the Co-operatives. With a view to enabling them to obtain their requirements of credit, the Societies should maintain a land register indicating the extent of land actually cultivated by a member to be verified by the representatives of the society. This register should form the basis for determining the loan eligibility of a member in the absence of title deeds and other documentary evidence.
- vi) Under the present procedures, mortgage of land is essential for all loans above 7,000 baht. Since most farmers have no clear title deeds and the procedure for mortgaging land is cumbersome, it should be examined whether the relevant legislation can be amended to provide for creation of a charge (lien) on land and the crops standing thereon and for registration of the charge in the revenue records.
- vii) Branch Advisory Committees may be constituted at the Provincial level consisting of the representatives of the CPD and the DAE to provide a forum for exchange of views and appreciation of each others difficulties at the local level.
- viii) Branch Managers should be given more powers so that all loan cases are disposed of at their level.
- ix) At present far too many stages are involved in the processing of loan applications. Some of the stages can be eliminated without affecting the quality of scrutiny. The need for the various stages should be critically examined with a view to finding out whether some of them cannot be dispensed with.
- x) After the introduction of scales of finance, it should not be necessary for the Bank to go into the quantum of loan given by the society to each member. The provincial branch of the BAAC should then sanction merely a revolving credit limit to the society.

leaving it to the management of the society to sanction loan to individual members.

- xi) The responsibility for supervision of the utilisation of loans should be entirely with the society. The society should appoint necessary staff for this purpose.
- xii) The main reason for poor repayments by the societies to the bank is the inordinate delay in the sanctioning of fresh loans. A thorough review of the policies and procedures is required to be made at the highest level. A high level Committee should be appointed to make a study of the policies and procedures not only of the BAAC but also of the societies with a view to liberalising and simplifying them. The Committee should consist of representatives of CPD, DAE, BAAC, Commercial Banks and some leading Co-operators. It should be headed by a sufficiently senior officer, so that all the agencies concerned accept the recommendations and implement them.
- xiii) A time schedule should be laid down for processing loan applications at various levels, so that the entire process from the date of application by a member to the date of receipt of loan by him does not take more than a month.
- xiv) The attention of the BAAC is now focussed on production credit. The marketing activities of the ACFT, Provincial Federations and Agricultural Societies have been very seriously hampered due to non-availability of marketing as well as distribution of fertilisers at various levels should be worked out and BAAC should formulate its policies for meeting these requirements.

MARKETING

9.23

1. One of the constraints in the development of marketing is the lack of marketing outlets. Government

should recognise the Co-operatives as its agent for marketing operations and give them preference in all marketing activities, especially in the allocation of export quota for foodgrains on Government to Government basis.

2. The ACFT should be recognised as an agent of Government for marketing activities and should be strengthened suitably.

3. Marketing activities are at present confined to maize and rice. A number of societies need assistance in the marketing of other commodities namely, Cassava chips, fruit, etc. The ACFT should diversify its marketing activities and develop expertise in other fields. It should seek outlets abroad for various commodities and also seek assistance of the International Co-operative Trading Organisation at Singapore in this connection.

4. In view of the successful functioning of the scheme of marketing of maize to the Japanese Co-operative Marketing Federation, ACFT should explore the possibilities of entering into similar arrangements with Co-operative Federations of other countries for export of rice and other commodities.

5. There should be close co-ordination between the ACFT and the MOF, so that there is no duplication in their activities. The MOF should utilise the existing co-operative marketing structure in the field organisation. The ACFT and the Provincial Federations should function as agents of the MOF.

6. The most serious problem facing the ACFT and the Provincial Federations is the paucity of working capital. An assessment should be made of the requirements of the working capital of the ACFT, and the BAAC should be prevailed upon to meet the requirements in full. The Department of Co-operative Promotion should take the initiative in this matter. If necessary, Government

should stand guarantee to the BAAC on behalf of the ACFT for repayment.

7. The management of both the ACFT and Provincial Federations need to be strengthened. A common cadre should be constituted for the ACFT and the Federations, so that the employees of the Federations can be assured of promotion prospects.

8. At present the ACFT is not a truly national Federation. Its relations with the affiliated societies are not as close as they should be. The ACFT should take over all the functions of the guiding and supervising the affiliated societies and establish closer ties with them.

9. The ACFT should have a team of Advisors who should visit the societies at frequent intervals and help them in removing their difficulties vis-a-vis the ACFT.

10. The ACFT should also have a Consultancy Cell to provide assistance to the affiliated societies in technical and financial matters.

11. There is a communication gap between the ACFT and the affiliated societies in regard to market intelligence. ACFT should communicate the prices of both maize and rice to the Provincial Federations and affiliated societies at least once a week.

12. There is inordinate delay in the settlement of accounts between the ACFT and the affiliated societies. The procedure of settlement of accounts should be streamlined and there should be periodical reconciliation of account.

13. ACFT should periodically arrange specialised training programmes for the managers of the affiliated societies in consultation with the co-operative League of Thailand.

PROCESSING

9.24

1. At present the processing activity are confined to paddy. There are a number of other agricultural commodities, which can be processed in the co-operative sector. Fruit canning, manufacture of sugar, manufacture of cattle feed, extraction rice bran oil, etc. are some examples. The possibilities of diversification in the field of processing should be examined and feasibility studies should be got conducted in respect of specific projects.
2. There is no organisation at present which is technically equipped to give advice to the Co-operatives in project formulation and establishment of processing units in new fields. A new organisation in the public sector called the National Co-operative Development Corporation should be set up for this purpose.
3. The processing capacity of the rice mills, which have been set up, is grossly underutilised. A study should be made to find out the reasons for underutilisation and remedial steps should be taken. The ACFT should secure an assured quota for export of rice from the Ministry of Commerce on a regular basis, so that the rice mills have an assured market.
4. As in the case of marketing, the processing units are facing acute paucity of working capital. The CPD should bring the BAAC and the representatives of the Processing Units together and sort out this problem.
5. The Government has an ambitious programme of setting up more rice mills. The programme should be re-examined and rephased, if necessary, in the light of the performance of the existing rice mills.

INPUT SUPPLY

9.25

1. There is duplication of effort in input distribution, as both the Farmers' Associations and the Co-operatives perform these functions. There should be only one Farmers' Organisation, so that there is uniformity in the prices at the retail level. This objective will be achieved with the proposed merger of the Farmers' Associations into Co-operatives.

2. Neither the Co-operative Promotion Department nor the Department of Agricultural Extension has a carefully worked out plan of action in terms of quantities of fertilisers to be distributed during a year. The ACFT should work out a plan on these lines under the guidance of the CPD and with the assistance of the DAE.

3. The ACFT should work out its annual requirements of fertilisers in consultation with the affiliated societies on the basis of their monthly requirements so as to plan its imports accordingly.

4. Many societies now buy fertilisers from the open market and not from the ACFT. The ACFT should, therefore, streamline its procedures and provide satisfactory service to the societies so that the societies do not buy fertilisers from the open market.

5. There should be co-ordination between the MOF and the ACFT in regard to import of fertilisers. ACFT should act as an agent of MOF in the matter of fertiliser distribution.

6. Agricultural Co-operatives should also distribute seed as an agent of MOF, which has been entrusted with the task of multiplication of seed.

7. Since the cooperatives would be handling these inputs on behalf of Government, any loss suffered by them for reasons beyond their control, should be underwritten by Government.

FARM GUIDANCE

9.26

1. The present procedure of recruiting farm guidance workers in Bangkok has not been found to be satisfactory. The local societies should be asked to make their own recruitment.

2. The farm guidance workers should be given suitable incentives and their emoluments brought at par with those of the functionaries of the Department of Agricultural Extension, so that they are not constantly on the look out for better openings in the DAE.

3. Before posting them to societies the farm guidance workers should be given intensive training with the help of the DAE. The training should be at least of six months' duration and it should deal with all aspects of the work of the extension functionaries of the Department of Agricultural Extension.

4. There should be close co-ordination between the functionaries of the DAE and the farm guidance workers of the societies in the field i.e. at the provincial and district level. The farm guidance workers should eventually serve as agents of the functionaries of the Department of Agricultural Extension as in Japan.

5. Till the merger of the Farmers' Associations into Co-operatives, the members of the societies, which have not so far appointed farm guidance workers, should be provided technical guidance by the extension personnel of the DAE.

9.27

OTHER RECOMMENDATIONS

1. Since adequate number of Dairy and Fishery Co-operatives have been functioning for some time, functional Federations of these Co-operatives at the national level should be organised.
2. Livestock development co-operatives should also be organised in areas, where the Department of Livestock and the National Security Command are doing intensive work for the development of livestock.
3. The Co-operative League of Thailand should be strengthened and should be entrusted with the responsibility of training the employees of the Co-operatives as well as co-operative leaders.
4. Regional Training Centres should be established under the auspices of the League for providing specialised training to the managers of the rice mills, dairy co-operatives, fishery co-operatives, etc.
5. The present limit of 5,000 baht on the contributions from the Co-operatives to the League, should be removed.
6. As the Co-operative League of Thailand is the spokesman of co-operative movement, it should be associated in all matters relating to the co-operatives.
7. The Government should give financial assistance to the League to expand its activities.
8. A high priority should be given to organising co-operatives in the Land Settlement Projects, which are being organised by a number of departments.
9. Organisation of Cooperatives on the lines of those in the Settlement Projects should form an integral part of the Land Reforms programme from the very beginning.

P A R T III

- ANNEXURES 'A' to 'I'
- APPENDIX 'I'

ANNEXURE 'A'

Procedural details for introduction of crop loan system:

A.1 The credit needs of cultivators fall into three broad Categories:

- a) Crop loans-mainly for financing current expenditure in connection with raising of crops.
- b) Medium-term-- for meeting outlay relating to the replacement and maintenance of wasting assets and for capital investment designated to increase the output from land. Such loans are generally repayable within periods ranging from 3 to 5 years. They are sanctioned for such purposes as purchase of agricultural machinery, pair of bullocks etc.
- c) Long-term - for capital investments in agriculture such as sinking of tubewells, wells, land levelling, bunding, terracing, purchase of tractors, power tillers and other costly machinery including oil engines, electric motors and pumpsets, purchase of land and acquisition of ownership rights in land, redemption of old debts etc. Such loans are generally repayable over 5 to 15 years and in exceptional cases, in 20 years. The distinction between medium-term and long-term loans for capital investment is not so much on the basis of the purpose of the loan as the repaying capacity of the borrower.

A.2 The Bank may meet the requirements of farmers for all types of loans (S.T., M.T. & L.T.)* through its branches at Provincial level by routing the funds through agricultural Cooperative Societies. It is essential that the lending policies are designed to help production and at the same time ensure proper utilisation of moneys lent. In this context, it is important that the credit needs of the agricultural producers are assessed on a rational basis, taking into account the quantum of outlay required for each activity and their repaying capacity so that proper and efficient utilisation of the meagre resources is ensured.

* Short-term, Medium-term & Long-term

A.3 The broad policies & procedures which should govern the sanction of S.T., M.T. and L.T. loans for agricultural production purposes are given below :-

CROP LOANS (Short-term)

Scale of Finance :

A.4 The cultivators' requirements for crop loans may be classified into two categories : Those for meeting certain outlays which can be met primarily in cash and those which can be disbursed in kind such as improved varieties of seeds, chemical fertilisers, pesticides, etc.

A.5 The production needs of the farmers may be worked out by fixing crop-wise per rai scale of finance, which would satisfactorily meet the requirements of majority of cultivators in the area. With a view to minimising the chances of misutilisation, it is desirable to fix the scales of finance in terms of two components : Component 'b' to be disbursed in kind i.e. improved seeds, fertilisers, pesticides, etc. For the above purpose, the scale of crop-wise finance per rai may be decided by Cooperative Promotion Department (CPD) in consultation with the Department of Agricultural Extension (DAE) and the same be circulated well (six months) before the beginning of the year to the financing institutions as well as to the cooperative societies.

A.6 It may be added here that the component 'a' of the scale of finance for each crop, which is to be disbursed in cash, is intended to reflect broadly the probable outlay of the cultivators in the area during the period it takes to grow the crop. It would, interalia, include labour charges, which in the case of small cultivators who have no need for hired labour, would serve to finance their outlay on family consumption during the production period and also additional cash expenditure necessiated by the adoption of improved practices such as use of fertilisers, pesticides etc.

A.7 At the traditional level of cultivation, such outlay is found, by and large, not to exceed about one third of average value

of production per rai. Further, a ceiling may be fixed on which an individual member may borrow from the society for component 'a'. This would have the affect of ignoring the credit requirements for acreage above a particular limit. Thus, if a ceiling is fixed at say 3000 Bahts and the scale of 100 Bahts per rai in respect of component 'a' is applied uniformly, cultivators with holdings upto 15 rai will get finance in the normal way i.e. at a flat rate of 100 Bahts per rai. Cultivators with holdings exceeding 15 rai each would, however, be eligible to receive only 3000 Bahts each as cash component.

A.8 As the cultivators might be cultivating different crops, it would be convenient if the different crops grown in the area are grouped as there may not be any appreciable variation in the total outlay requirements vis-a-vis the outlay worked out on the basis of each crop. The crops may be divided into two or three broad groups for fixing the cash and kind components of the scale. For cash crops and high yielding variety crop etc., the scales will have to be fixed individually, as there are large variations in the outlays involved for such crops.

Kind Component :

Component 'b' of the scale of finance should be fixed with reference to the quantum of fertilisers and inputs which an average cultivator in the area uses but not exceeding that recommended for each crop by the CPD and DAE. It is desirable to include in the component only chemical fertilisers, improved seeds, pesticides and insecticides as a general rule. There is no harm in including in this component the expenses on crude oil, mobile oil and electricity charges used for agricultural purposes.

A.9 The component 'b' should be disbursed in kind to the cultivators by the society itself, in case it is functioning as a distributing agent for fertilisers, pesticides etc. or through some other agency or private dealers by suitable arrangements with them. Another aspect which needs to be emphasized is that there should not be any insistence on the lifting of component 'a' because any threat of denial of credit in cash as a means of compelling a cultivator to use fertilisers and insecticides may drive him away

from the cooperative fold or make him hold back the repayment of an earlier loan thereby not serving the interests of increasing agricultural production or those of the institutional credit. It is only through persuasion and actual demonstration by the agricultural extension agency that the desired changes in agricultural practices can be brought about.

A.10 There should not be any difficulty if the cooperative society itself stocks different varieties of fertilisers or is organically linked for that purpose with some other agency or society or private dealer who is entrusted with the responsibility of handling the business of the area. The arrangement envisages certain amount of coordination among all those concerned with the supply and distribution of fertilisers and other inputs.

A.11 The identification of areas, where the cultivators have become increasingly fertiliser-conscious may be done in consultation with the Department of Agricultural Extension (DAE) by the Cooperative Promotion Department and a higher scale of finance may be laid down for such areas.

Determining of Size of Components :

A.12 The size of components 'a' and 'b' should be determined with reference to both the actual needs for raising particular crops and the repaying capacity generated by such outlay. Determination of the size of component 'b' should not present any difficulty as it will include chemical fertilisers, improved varieties of seeds, insecticides, Kerosene or diesel oil for running oil engines, power tillers, etc. electricity charges for electric pumpsets. The size of component 'a' is however, to be determined with reference to the gross value of produce, without use of inputs i.e. under traditional level of cultivation. For practical purposes, the component 'a' may be fixed at not exceeding 35% of the gross value of produce on the traditional level of cultivation.

Credit Limit Statement :

A.13 On the basis of the scales of finance laid down by the

CPD & DAE, the society should prepare a credit limit statement for all its members, in triplicate (at least four months) before the commencement of the year in the following proforma:

A. Scale of Finance for the year _____ (Amt. in BHRS)

Name of the crop	Cash component per rai(a)		Kind component per rai(b)		Total per rai		Value of gross produce per rai	
	Irri-gated	Un-irri-gated	Irri-gated	Un-irri-gated	Irri-gated	Un-irri-gated	Irri-gated	Un-irri-gated

(a) High Yield varieties :

- (1)
- (2)
- (3)
- (4)

(b) Other Varieties :

- (1)
- (2)
- (3)
- (4)

(c) Cash crops.

B. Credit limit statement (Short-term Agricultural purposes)

Sr. No. of the member with A/c No. etc.	Name of the group	Total area under cultivation (Rais)		<u>Requirement for first crop season</u>						
		Irri-gated	Un-irri-gated	Crop Area sown (in rais)	Cash comp.	Kind Comp.	Total			
1	2	3	4	5	6	7	8	9	10	11

- 1.
- 2.
- 3.
- 4.

contd...

<u>Requirements for second crop season</u>						<u>Total requirement for both the</u>	
<u>Crop Areas in rais</u>						<u>crop seasons</u>	
Irri- gated	Un- irri- gated	Cash Comp.	Kind Comp.	Total	Cash Comp.	Kind Comp.	
							(col.9+15)
12	13	14	15	16	17	18	19

Signatures or Thumb impression of the member	<u>M.C.L. fixed by the society</u>		
	Cash	Kind	Total
	Comp.	Comp.	(Col.21+22)
20	21	22	23

A.14 The details particularly of the crops grown and the acreage proposed under each crop by a member may be filled up in consultation with him and his signatures/thumb impression obtained thereon. It may be mentioned here that the credit limit statement is only an indication of the extent of entitlement of an individual or of the society but eligibility to actually draw on the limit will arise only after the conditions specified for drawal are fulfilled.

A.15 In order to ensure that fictitious areas (rais) are not included in the credit limit statement, each society should maintain a register of lands of all members in the following forms:-

Register of Lands Cultivated by Members:

Sr. No.	Name of Member with Father's/ Husband's name	Name of Village
---------	--	-----------------

1	2	3
---	---	---

Contd....

Area of land held by the Member (Rais)					Of which area under			
Owned		Tenancy or lease			Cultivation			
Survey No. etc.	Rais	Survey No.etc.	Rais	Total rais	Land Tax	Irri- gated	Un- irri- gated	Total
4	5	6	7	8	9	10	11	12

Initial of the President or
Officer Incharge of society

13

A.16 The above register should be prepared carefully with reference to the local revenue records and verified periodically so as to incorporate all changes in the land holdings that might have taken place during the period.

A.17 Equally important is the verification of the cropping pattern indicated for each member in the statement. Since the quantum of credit to a member under the Crop Loan system is a function of two variables viz. area and scale of finance per crop, a person may try to inflate his eligibility by showing a larger area than he actually cultivates or by showing crops carrying higher scale of finance when he actually grows crops with a lower scale.

A.18 Under the crop loan system, the eligibility of an individual for a loan depends upon the size of holding he cultivates and the kind of crops he grows and not so much on whether he cultivates that land as owner-cultivator or as tenant-cultivator. From the point of identification of lands cultivated, there is no problem in case of owners or registered tenants. The difficulty arises, however, in the case of unregistered tenants or oral lessees and share-croppers. Where the member is a share-croppers or tenant and is in a position to indicate, though informally, the survey number of the land proposed to be cultivated and the Managing Committee of the society is prepared to certify the correctness of the statement and apply for a loan on his behalf, there would be little difficulty in providing the finance provided to him as per

prescribed scales of finance. Where, however, the survey number even informally cannot be indicated by a member and the Managing Committee is also not in a position to identify, if need be, the piece of land cultivated by him, one has to go only by the statement of the borrower. There are following ways in which such an oral lessee or share-cropper can be helped:4

(i) He should be asked to produce solvent surety/sureties of one or two members who are owners of land or are registered tenants. The guarantees of the fellow members may be accepted only to the extent to which they themselves are eligible for crop loans from the society.

(ii) He may be asked to provide collectorel tangible security in the form of gold or silver ornaments sufficient to cover the loan, with prescribed margin.

A.19 With a view to facilitating easy verification and eliminating the possibility of the same piece of land being shown under different crops during the same season, a single credit limit statement should be prepared for the whole year and covering all the crops grown by a member during a year and not separate statements for different crops/ or seasons. In monocropped areas, no difficulty is envisaged in the preparation of the credit limit statement on the above basis. In double-cropped areas, there may be some problems because at times it is difficult to know precisely how much of the total land will be put by the cultivator under crops during two seasons. Therefore, the entire land holding of a cultivator may be treated as available for both crop seasons. The credit eligibility of a member for cash component 'a' may be arrived at by the appropriate scales of finance fixed by the financing institution. Areas under perennial crops will require special treatment and eligibility under component 'a' should be assessed separately for such crops. It may be added that the cash component of loan per member fixed in this manner will be the cash available to him for either of the two seasons. However, if the borrower repays a portion of cash loan/s taken for one season on or before the due date fixed for that crop, he would be entitled to receive corresponding amount in cash for the crops of other season provided the amount of such additional cash loan/s is made repayable

alongwith the kind loans drawn for the second season crop cultivation on or before the due date fixed for that. Of course, the kind portion of first season crop loan will be repaid by the due date fixed for that loan. As far as component 'b' is concerned, the credit eligibility of each member may be worked out separately, in respect of each of the two crops.

Maximum Borrowing Power

A.20 Though the Crop Loan System envisages provision of credit of members to meet their full production requirements in cash and kind, it is necessary to see that their eligibility does not exceed a particular limit called the 'individual maximum borrowing power'. This need arises due to following reasons:-

- i) The individual maximum borrowing power helps to ration the resources available with the society/financing institution, preference being given to the small & medium cultivators;
- ii) The concentration of loans with a few big farmers is minimised;
- iii) A big cultivator would be able to meet at least a part of production outlays from his own resources.

A.21 It should be ensured that the ceiling is not fixed at an unduly low level so that the cultivators who wish to adopt improved agricultural practices or to raise cash crops are handicapped. It is suggested that the existing ceiling of 7000 Bhts. may be raised to 12,000 Bhts in all cases. This limit should be exclusive of borrowings which a cultivator may have to obtain for M.T. Agricultural purposes. In due course, depending upon availability of resources, the total limit can be fixed at a higher level which can be upto 20,000 Bhts in un-irrigated areas and 45,000 Bhts in irrigated areas.

Application for a credit limit to the financing institution (BAAC)

A.22 The credit limit statement prepared for members will indicate the aggregate of their credit needs. After the statement

is prepared the Managing Committee of the society may recommend the amounts that may be sanctioned to members by indicating the details in columns 21 and 22 of the credit limit statement. The Managing Committee may then work out the disposable resources of the society for lending and apply to the provincial branch of BAAC (financing institution) for the balance. Alongwith this application, the society should furnish its financial particulars such as balance sheet, profit & loss a/c and a copy of the resolution of the general body/Managing Committee for raising the requisite loan.

Sanction of Credit Limit

A.23 The Bank's inspector/supervisor should then scrutinise the application with reference to the society's books and village records to ensure that the details of the crops proposed to be grown and the land holdings given therein are correct. He should also give a report on the society's working, bringing out serious irregularities, if any, the position of overdues and the action initiated by the society against defaulters. The credit limit statement alongwith the remarks and recommendations of the Chief Executive Officer of the Bank should then be placed for consideration of the Board/Executive Committee/Local Sub-committee of the Bank. The bank may sanction separate limits for each society as under:-

- i) The limit under component 'a' fixed separately for both the season crops;
- ii) Limits under the component 'b' fixed separately for each season crops.

A.24 The terms and conditions of sanction together with a copy of the credit limit statement as approved by the bank should be sent to the society. The society may be allowed to draw against this limit, as and when need arises, in the form of a cash credit limit.

Preparation of statement every year

The responsiveness of the cultivators to the use of modern inputs and sophisticated techniques of cultivation is growing fast and consequently, the scales of finance fixed for one year

may well prove inadequate for the subsequent year particularly when the fixation of component 'b' is with reference to average dose of fertilisers prevalent in the area and not the optimum dose recommended by the Department of Agriculture Extension. Further, the new investment proposed by cultivator in land necessitates a change in the cropping pattern, if the investment is to yield a return sufficient to repay the loan over the stipulated period. In addition, there also may be some new members, whose names are required to be included and the names of those who cease to be members for one reason or the other, their names to be excluded. Therefore, it is important to prepare the credit limits each year well in advance of the agricultural season. At the same time, one is to make allowance for administrative shortcomings in ensuring that the cultivators who repaid their dues for the previous year obtain fresh finance at the time they need. Therefore, the society may allow a member to avail himself of 50% of cash component and even 100% of kind portion of limit sanctioned in the previous year pending revision of his credit limit statement. It follows that the bank should also allow drawals to a society on the limit sanctioned in the previous year pending receipt of revised statement and its sanction. The drawals should not be permitted in case of defaulter members. However, if a society has repaid at least 50% of the demand it may be allowed drawal for financing non-defaulter and new members.

Eligibility for operations on the limit

A.26 The approval to the credit limit statement by the bank signifies the upper limit upto which an individual may borrow from his Society and in turn, the society may borrow from the bank during the forth-coming year. The actual drawals on limits should be subject to an individual member establishing his eligibility with the society and the latter with the bank. The individual may be allowed to borrow upto the limit sanctioned to him provided he (i) is not a defaulter (ii) holds shares in the society in the prescribed ratio (iii) has furnished adequate security to the society and (iv) has executed necessary documents e.g. pronote etc. The society may be allowed to operate on the sanctioned limit provided it (i) has repaid to the bank to the extent of at least the

minimum proportion of the demand fixed (ii) executes necessary documents e.g. pronote etc.

A.27 On an application from the society in the following form for drawal of a cash loan on behalf of members indicated in the list, the amount may be advanced to the authorised office bearers.

Drawal Application

A.28 "We hereby request that we may be permitted to draw a sum of BHTs _____ on behalf of our members as shown below against the cash loan limit of BHTs _____ sanctioned to us for 19____ vide credit limit statement Nos. _____ dated _____. We certify that none of these members is in default to the society in respect of any loan taken from the society. The outstandings against us of previous borrowings are BHTs _____. The drawal applied for is within the sanctioned limit.

Signature of President/Officer
incharge

Sr. No.	Name of the member with Father's/ husband's name & name of village	Limit sanctioned			Outstanding Balance as on date against the limit.	
		Cash	Kind	Total	6	7
1	2	3	4	5	6	7

Amount applied for			Signature or thumb impression of members	Amount sanctioned by the bank.
Cash	Kind	Total		
8	9	10	11	12

A.29 In allowing disbursement the concerned official/s of the bank should satisfy that the amount indicated for drawal against each member is not more than what is given in the credit limit statement approved by the bank. A statement showing disbursement of the amounts actually drawn by the borrowers together with their signatures in the following proforma should be submitted to the bank within 2 weeks of such disbursement.

A.30 Disbursement statement

Name of the Society:

Amount drawn from the bank BTS _____

Sr. No.	Name of the member with Father's/ husband's name and name of village	Amount of Loan sanctioned & drawn from bank	Loan disbursed Date	Amount	Signature or thumb impression of member
1	2	3	4	5	6

Signature of President

A.31 The disbursement statement should be verified with the demand list submitted at the time of drawl of loan from the bank to ensure that (a) the amounts have been actually advanced to those for whom they were intended (b) the society has not diverted the amounts towards its own activities such as fertiliser business, payment of instalment of godown loan and (c) the amounts have not been used by the society for repaying another loan due to the bank or for repayment of a temporary deposit obtained for the purpose of repaying a loan to the bank earlier. In case of discrepancy, if any, the society may be asked to give reasons.

A.32 The operations on component(b) of the limit may be allowed as under:-

Where the Primay Agricultural Society is also distributing fertilisers, the society will itself supply the required quantities to the members by obtaining their loan accounts and crediting the account 'Borrowings from the Bank'.

A.33 Security for short-term loans

The Crop Loans are essentially need-based and production oriented and not security oriented. Therefore, a cultivator's eligibility for loan and its size are determined not with reference to the value of land or any tangible security but on the basis of the size of the holding he cultivates and crops he grows. The repayment of loan is expected out of sale proceeds of crops raised. The insistence on security of mortgage of land is likely to create difficulties to the borrowers. Firstly, the procedure and formalities which an execution of mortgage involves are generally time consuming and elaborate. Secondly, it may handicap a borrower in raising medium or long term loans for which mortgage of land is normally insisted upon. Thirdly, a large number of cultivators would be deprived of loans because of their inability to provide mortgage security. The most convenient security from the point of view of both the lending agency and borrowers is the charge created by the mere declaration in favour of the Coop. Society on the identifiable right or interest of a cultivator in the land cultivated by him either owner or a tenant or lessee.

A.34 Though personal surety/sureties supplemented by the statutory charge on land would be adequate security for S.T. Credit, other forms of security might also be accepted in cases where cultivators are unable to create a charge on land for any reason.

Seasonality in disbursement and recovery

A.35 It is necessary to observe seasonality in regard to both disbursement and recovery of loans so as to broadly synchronize them with the cultivation and harvesting seasons of important crops grown in the area. No difficulty is likely to be experienced in observing seasonality in regard to disbursement of component 'b'. If arrangements for supply of fertilisers are satisfactory, a cultivator would like to take the required quantity of fertilisers at a time convenient to him. Fertilisers doses are often applied at suitable intervals. Therefore, drawals on limits for 'b' component may be allowed a few months before and after the sowing of seeds. However, so far as component 'a' is concerned, it may be allowed in entirety at the beginning of the cultivation season as it is really in the nature of 'ways and means' accommodation to the borrower. The repayment of components 'a' and 'b' may be so fixed that the period of loans does not exceed 12 months from the date of first drawal whether of component 'a' or 'b'.

Seasonality is also necessary for the recovery of loans and for this purpose the due date may be so fixed that it is not too distant from the harvesting season and at the same time, a reasonable time is allowed to cultivators to dispose of their produce during the marketing season.

A.36 Cash credit arrangements may be adopted for some crops which require a period of 12 months or more to mature or crops where expenditure does not exactly follow the seasonal pattern and the yield is received throughout the year at short intervals of say 45 to 60 days. In former case, when the cultivator spends on a particular crop during the year, he would also earn income from either the same crop or from previous year's crop during the period under consideration and it is only the difference between income and expenditure that the cash credit limit is supposed to meet. The Coop. Society may permit drawals on limit for meeting expenditure on items such as fertilisers, oil for oil engine electricity charges, irrigation dues, payment of land revenues etc. At the same time, the member is expected to repay his dues taken by him previously from the sale proceeds of crop which is sold during the current year.

A.37 In the latter case, during peak season, the borrower should bring down the outstandings in the cash credit account and in fact should be able to show even a credit balance in the account. A cash credit limit equivalent to the value of two pluckings would be adequate in case of owners of coconut plantations.

A.38 If the banks are financing the cultivation of sugar-cane on the basis that repayments would be forthcoming only out of the sale proceeds of crop financed and not with reference to income and expenditure during the period of 12 months, there will be problems in transition to the cash credit system and these have to be tackled specially.

Linking of Credit with Marketing

A.39 Another essential feature of the Crop Loan System is that loans advanced by a Coop. Society to an individual for raising crops are recovered out of sale proceeds of such crops. It is, therefore, necessary to ensure that the sales are effected through the society itself or an agency with which the Coop. Society is linked. It is expected that every borrower from an agricultural Coop. Society sells his produce through the Society itself.

ANNEXURE 'B'

PROCUREMENT AND SALE OF CHEMICAL FERTILISERS

B.1 At present about 90% of the chemical fertilisers are imported in Thailand and these are mostly distributed by the private sector. Co-operatives hardly handle about 10% of fertilisers distribution work. Generally the merchants based in Bangkok distribute fertilisers in the provinces by trucks, where it is usually sold on credit at a high rate of interest. There is no price control on fertilisers and therefore, there are wide fluctuations in their prices depending upon the availability of stocks. In the co-operative sector there is Agricultural Cooperative Federation of Thailand (ACFT) at the national level to which Federations at the State level are affiliated. The National level Federation (ACFT) imports about 10% fertilisers and some fertiliser is also now being imported by the Marketing Organisation of Farmers (MOF). The provincial level Federations are mainly undertaking processing activities. The MOF is distributing fertilisers through Farmers' Associations. For the successful implementation of the Crop Loan System it is very essential that there should be a system of procurement and sale of chemical fertilisers so that these are always available at reasonable prices and the Cooperatives are involved considerably in the work of distribution of fertilisers. For this purpose, the first step should be to merge the farmers associations and cooperatives in the Thailand.

B.2 A scheme may be prepared on the following lines in order to handle the distribution of fertilisers on sound business principles through the cooperatives which would also be the financing institutions for providing credit to the farmers. To begin with, the entire imported fertilisers business may be handled by the MOF and a part of this distributed through ACFT. The ACFT may fix pool issue price for the country as a whole after accounting for all types of expenditure involved. The fertilisers distribution business may be conducted by ACFT through Provincial Federations who may work as whole-salers. The total monthwise requirements for the year may be worked out by the ACFT well in advance and buffer stocks may be kept at the provincial level federations. The ACFT may make the stocks available to the provincial federations at the pool issue price including freight paid etc. upto the nearest point of storage. The Provincial Federations may appoint Cooperative Credit Societies as their Sub-agents for retail sale and they may be allowed some reasonable margin of profit. Wherever the agricultural cooperative

society is not prepared to work as sub-depot, the whole-saler or the provincial federation may appoint any other cooperative society in the area affiliated to the provincial federation to take up the work of sub-depot in the area. Under this system the Provincial Federations working as whole-saler and Agricultural Cooperative Societies working as Sub-depots may be supplied fertilisers on cash payment. The Provincial Federates and Agricultural Coop. Societies may be allowed to avail of the cash credit limits from BAAC for the purchase of fertilisers. The Provincial Federation will purchase the fertilisers and pass them on to Agricultural Societies. The proceeds of the bills on account of supply of fertilisers will be collected by the Federation through the Bank.

B.3 The functions of the wholesale agent (Provincial Federate) would be to continue to receive and stock, if necessary, fertilisers for all the Sub-depots. In addition, it may also undertake retail sale where necessary. The Sub-depots would sell in retail fertilisers supplied to them by the wholesale agent.

B.4 The Whole-sale-agent/Sub-depots, may appoint salesmen of requisite qualifications and experience duly prescribed by the Co-operative Promotion Department. Each salesman may be required to furnish a cash security or in lieu thereof tangible security.

FINANCIAL ARRANGEMENT BETWEEN ACFT AND PROVINCIAL FEDERATIONS

B.5 The ACFT will purchase fertilisers from different sources. The fertilisers so purchased would be sold to the Provincial Federations on cash. The Provincial Federations would assess their financial requirements for the purchase of fertilisers. The Commercial Banks/BAAC's branch operating in the area, would sanction a cash credit limit against the pledge of stocks of fertilisers. The finances against such limits should be available to the extent of 90% of the value of such stocks. The Banks would be competent to reduce or increase the margin of 10% with the approval of the Co-operative Promotion Department. The Bills on account of supply of fertilisers to the whole-sale agents shall be negotiated through the Banks. The commercial banks/BAAC's branch would present the same to the wholesaler concerned for acceptance. The proceeds of the bills along with the interest and negotiation charges, would be collected from the whole-sale agent in cash or debit to the fertiliser cash credit account. The concerned bank would keep sufficient funds to remit the proceeds of the bills immediately on acceptance by debit to the fertiliser cash credit account of the

society. The proceeds of the bills would be remitted by the Bank concerned to the Federation direct the following day. In case of non-acceptance of the bills, the Bank shall inform the Federation immediately. The stocks of fertilisers with the wholesale agents shall be kept in the joint custody of the Bank and the wholesaler concerned. The stocks at no time shall be less than loan outstanding against the agent concerned after providing for the margin money.

B.6 The bill to be negotiated through the Bank would comprise of the basic price of fertilisers and the share of distribution margin meant for the Provincial Federation.

FINANCIAL ARRANGEMENTS BETWEEN THE PROVINCIAL FEDERATIONS AND AGRICULTURAL SOCIETY

B.7 The fertiliser would be sold to Sub-depots on cash. Some of the Sub-depots may be in a position to invest their own money in the purchase of fertilisers. In such a case, they may not need any credit from any Bank. In other cases, the societies running sub-depots will be sanctioned cash credit against hypothecation of stocks of fertilisers and finances against such limits would be available to the extent of 75% of the value of such stocks. The value of the fertilisers issued as kind loan shall be treated as cash receipt and this would only happen if the fertiliser has actually been delivered to the loanees.

B.8 The price to be charged from a Sub-depot shall comprise of:-
a) Price paid by the Provincial Federation to the ACFT.
b) Share of distribution margin reserved for Provincial Federations.

PROCEDURE FOR OBTAINING FINANCIAL ACCOMMODATION

B.9 A Provincial Federation desirous of obtaining credit limit from a Bank may put up its application for grant of limit accompanied by the following documents to the branch of the concerned Bank:

- a) The latest audited balance sheet, Trading account & Profit and loss account of the society.
- b) The latest proforma balance sheet, profit & loss account along with the trading account.
- c) Receipts & payment statement for the last 12 months.

- d) A summary of financial turn over and turn over of stocks during the past two years in the commodity for which the limit is asked for.
- e) A statement of stock position as on the date of application.
- f) Copy of the resolution passed by the Board of Directors of the borrowing society resolving to borrow the amount applied for.

B.10 The Branch Manager will forward the application of the society to the Head Office with this report. He may visit the society to form a judgement about the business efficiently and integrity of the party and shall have an access to the books and accounts of the society and verify the stocks of fertilisers under its control. He will make his report to enable the Manager to make his final recommendations for sanction of limit and the terms and conditions on which the limit may be sanctioned by the Bank to the society. The Bank should satisfy itself that the limit is utilised for the purpose for which it is intended i.e. drawals are made for making payments for goods which can be shown as security for borrowings and sale proceeds are credited to the loan account and that the outstandings are fully covered by the stocks subject to the prescribed margin:

- a) The borrowing society shall submit to the Lending Bank a receipt & payment statement and assets & liabilities statement at monthly intervals. These statements shall reveal the extent of utilisation of the limit; the position of business & monthly cover position.
- b) The Provincial Federations shall submit statements to the Bank which will supplement the financial statements. The statement shall give the position of purchases, sales during the month and the closing balance of stocks.
- c) The financing Bank's sign board will be fastened at a prominent place on the godown.
- d) All the godowns containing stocks pledged shall be looked with locks bearing the name of the Bank concerned. The keys of the godowns shall not be delivered to the borrowers. The receipt & delivery of stocks shall be done by an official of the Bank and keys shall be deposited every time at the Bank after taking or giving delivery of stocks.

- e) The delivery orders shall be issued by the Bank only on receipt of a requisition signed by the authorised persons specifying therein quantity and quality of the goods from a specified godown. The goods shall be released to the authorised persons of the Society against the delivery order.

B.11 Proper documents shall be obtained at the time of first sanction of limit and subsequent renewal of limits by the Bank. For pledge advances, the following documents shall be obtained:-

- a) Demand Promissory Note.
- b) Pledge agreement.
- c) Letter of continuity
- d) Security delivery letter.
- e) Delivery Order.

B.12 The concerned Bank may maintain the following registers:

- a) Cash Credit application and sanction Register.
- b) Documents of Register.
- c) Drawing Power Register.
- d) Stock Register.
- e) Market Price Register.
- f) Inspection Register.
- g) Key Movement Register.

FERTILISERS RISK FUND

B.13 The Federation (ACFT) shall create a Risk Fund to meet the losses arising out of theft, burglary, fire and flood, etc. The Provincial Federations shall contribute @ 1 Bht. per tonne on sale of fertilisers to them till such time as may be considered necessary by the ACFT. The proceeds and the fund shall be deposited monthly by the ACFT in an account to be maintained with the BAAC. The interest accrued on the account shall be credited to this account. The drawals from the account shall be made by the ACFT with the approval of the Coop. Promotion Department. The Provincial Federations availing cash credit limits from the Banks and contributing to the fund, shall be compensated for the losses accrued to them provided it is proved that the incidence of loss was beyond the control of the Federations. The compensation, if any, shall be paid to the financing bank for being credited to the Cash Credit Account of the Federation or paid in cash to the Federation if not indebted to the Bank.

B.14 The distribution margins on sales made by agricultural co-operatives and provincial federations may be fixed suitably in consultation with the Department of Agricultural Extension and Cooperative Promotion Department.

PROMOTION ACTIVITIES

B.15 The ACFT shall review the position of sale of fertiliser each year and accordingly frame a scheme to promote sale of fertilisers in the country.

INDENTING

B.16 Each year the Provincial Federations shall determine well in advance in consultation with the local officers of the Department of Agricultural Extension and the Cooperative Promotion Department the requirements of the various kinds of fertilisers for the next year. These requirements (month-wise) shall be passed on to the ACFT. These requirements, however, may be reviewed by the ACFT and Provincial Federations from time to time and if necessary the adjustments be made accordingly.

B.17 The ACFT shall take necessary steps for the procurement of fertilisers from different sources and shall maintain the record of indents placed with the suppliers under intimation to the Provincial Federations.

SUPPLIES

B.18 The Provincial Federations shall not refuse to take delivery of stocks once indented for them. Any loss arising due to refusal to take delivery of stocks by way of long storage, freight by Road/Wharfage etc. shall be payable by the concerned Provincial Federation.

B.19 The societies holding stocks at provincial federation and society level shall be responsible to make good losses out of their own resources.

B.20 There may be cases where fertilisers may be supplied out of season beyond the indent and Provincial Federations may have to store these for a long time. In such a case, the federates would be entitled to interest and storage rebate for a period of retention over 3 months.

RETAIL SALE

B.21 All sales of fertilisers from federations and societies shall be on cash or in the form of kind loan at retail rates fixed by the ACFT from time to time. There should be no credit sales.

RECONCILIATION OF ACCOUNTS

B.22 The ACFT should maintain accounts in respect of each Provincial Federation at the Head Office. There should be an annual reconciliation of accounts particularly in respect of debits raised and recovery made from the Federations. Such reconciliation of accounts would also be needed between the Provincial Federations and the Agricultural Societies.

ANNEXURE 'C'

ADMINISTRATIVE RULES FOR A COMMON CADRE OF EMPLOYEES

C.1 The Agricultural Cooperative Federation of Thailand and the Provincial Federations affiliated to it may frame Administrative Rules governing the service conditions of their employees. The Chief Executives and the intermediary level Officers of the Provincial Federations should be borne on the cadre of Agricultural Cooperative Federation of Thailand (ACFT). Similarly the Chief Executive and the main book-keeper at the level of the Primary Agricultural Credit Societies should be borne on the cadre of the Provincial Federations. The rules so framed by the ACFT should be based on the statute applicable to the Cooperatives in the Country. The Cooperative Societies Act will have to be amended for this purpose. These rules should broadly provide for the following:-

AUTHORITY TO IMPLEMENT THESE RULES

1. A sub-committee of the Board of Directors of ACFT/Provincial Federations may be authorised to implement the various provisions of the rules.

2. Qualifications and security

The Board of Directors of the concerned Institution should be competent to frame and revise the qualifications with the prior approval of the Cooperative Department.

3. Financial Liability

Salary for the period of duty including all allowances, leave salary, Provident Fund, Gratuity, Bonus etc. should be paid by the Provincial Federations provided that the Provincial Federation may require a Primary Coop. Credit Society, covered by these rules, to contribute to a Common Cadre Fund at such rates as may be determined by the Board of Directors of the Provincial Federation with the prior approval of the CPD. The pay and allowances of the employees of the ACFT working with the Provincial Federations may, however, be paid directly by the Provincial Federations. The ACFT may get contributions from the Provincial Federations to meet these costs. The ACFT may contribute to the Common Cadre Fund at such rate as may be approved by it to meet the deficit in the fund, if any, at the level of Provincial Federations.

4. Appointing authority

The Chief Executive Officer of the ACFT and the Provincial Federations should be made competent to make appointments for the posts carrying initial pay upto a reasonable limit. The Boards of Directors of the respective Cooperative Institutions may be the appointing authorities for higher categories of staff.

5. General conditions relating to appointment

The appointments may be made by way of direct recruitment, by promotees or by transfer from other Institutions in a fixed ratio so that due representation is available both for promotion and direct recruits.

6. Appointments by direct recruitment

All direct appointments should be made after proper advertisement or by following the prescribed procedures.

7. Screening of existing staff

The employees now working with the Primary Agril. Credit Societies and the Provincial Federations at the time of commencement of the rules may be brought on the Cadre of the respective Institutions after selection by the concerned institution.

8. Promotion of cadre staff

An integrated Seniority List of all the staff working with the Primary Agril. Credit Societies eligible for promotion to higher posts should be prepared by the Provincial Federations. Similar integrated seniority list of the staff eligible for promotion to higher posts in the ACFT should be prepared by the ACFT. The promotions should be on the basis of seniority-cum-merit.

9. Training and examination

Each employee deputed for training should be asked to execute an agreement bond to serve the concerned institution atleast for a period of three years from the date of successful completion of the training failing which he would be liable to pay the expenses incurred by the Institution on his training.

10. Record of Service and lien

The record of service of each employee should be kept in a Service Book. The confidential reports for each year should be recorded by the prescribed authority.

11. Fixation of Seniority

Seniority of employees, who are already in regular service of the institution on the date on which the rules come into force, should be determined according to the date of joining in the category of the post.

12. Posting and transfers

The Chief Executive Officer of the concerned institution should be competent to transfer any employee to any branch of the Cooperative Institution and vice-versa.

13. Resignation

No employee other than an adhoc employee may be allowed to resign a post unless he has given 30 days clear notice or salary in lieu thereof.

14. The rules also contain provisions regarding:-

1. Pay scales for various categories of employees.
2. Dearness Allowance.
3. Travelling Allowance.
4. Provident Fund.
5. Medical reimbursement.
6. Ex-gratia payments.
7. Gratuity.
8. House rent allowance.
9. Conveyance allowance.
10. Compensatory allowance.
11. Over-time allowance.
12. Uniforms and liveries etc.

15. Leave and joining time:

1. Kinds of leave.
2. Authorities empowered to grant leave.
3. Power to refuse leave or recall of an employee.
4. Lapse of leave on cessation of service.
5. Earned leave.

6. Casual leave.
7. Sick leave.
8. Extra ordinary leave.
9. Maternity leave.

16. (i) Punishments and misconduct and appeals thereagainst

In case of major punishment such as dismissal, barring of promotion to the higher grade or post, reversion to a lower grade or post, with holding of one or more increments with or without cumulative effect may be provided in the rules.

17. Penalties for minor misconduct

For minor misconduct, warning or censure or with holding of one or more increments for a specific period; demotion to a lower post or grade for a specified period or to a lower stage, recovery from pay or security of any pecuniary loss caused to the Institution by the employee may be provided.

18. Procedure to be adopted

No penalty shall be imposed on any employee unless the charge on which it is proposed to take disciplinary action against him has been communicated to him in writing and he has been given reasonable opportunity of showing cause against the action proposed to be taken against him.

19. Suspension.

20. Appeals.

21. Termination of employment, retrenchment or reversion.

22. Compensation in case of death of an employee while in service.

ANNEXURE "D"RICE : FARMING IN THAILAND AND SELECTED COUNTRIES
1971-73

Country	Area Harvested			Average Yield		
	2514 1971	2515 1972	2516 1973	2514 1971	2515 1972	2516 1973
	1,000 rai			Kg. per rai		
Thailand	44,347	42,375	48,394	310	293	---
Burma	29,775	28,300	30,694	275	260	
Fed. Malaysia	4,438	4,781	5,031	408	385	
Philippines	20,288	20,644	22,431	251	237	
China	217,206 F	210,888 F	217,219 F	502	494	
Japan	16,869	16,500	16,375	839	936	
U.S.A	4,600	4,600	5,488	846	842	
Brazil	29,775	30,131	30,625	221	260	243
India	235,988	225,119	231,250	274	257	292
Pakistan	9,100	9,263	9,450	373	376	386
Bangladesh	58,113	60,188	62,219	256	251	294
Indonesia	51,388	49,894	53,550	363	361	379

Source : Agricultural Statistics of Thailand, Crop Year 1974-75.

Division of Agricultural Economics.

Office of the Under Secretary
Ministry of Agri. & Cooperation

ANNEXURE "D-I"RICE : TOTAL PLANTED AREA 1962-1972

<u>Year A.D</u>	<u>Total Planted Area (in 1,000 rai)</u>
1962	48,479.6
1963	51,979.1
1964	52,684.5
1965	54,574.0
1966	63,401.4
1967	58,865.6
1968	66,649.4
1969	66,667.3
1970	79,870.7
1971	80,073.1
1972	83,249.5

ANNEXURE "E"TOTAL AREA PLANTED AND YIELDS OF MAJOR CROPS

YEAR	RICE		MAIZE		SUGARCANE		CASSAVA	
	Area Planted	Average Yield	Area Planted	Average Yield	Area Planted	Average Yield	Area Planted	Average Yield
	1,000 rai	Kg. per rai	1,000 rai	Kg. per rai	1,000 rai	tons per rai	1,000 rai	
1962/63	41,168	267	2,050	325	636	5.0	767	
1963/64	41,299	281	2,612	328	932	5.1	875	
1964/65	40,872	278	3,449	271	1,014	5.0	656	
1965/66	40,961	268	3,605	283	883	5.1	637	
1966/67	46,454	257	4,083	275	778	4.9	814	
1967/68	41,612	231	4,138	318	935	4.8	880	
1968/69	45,173	229	4,193	360	1,137	5.2	1,066	
1969/70	47,400	283	4,248	400	739	6.9	1,193	
1970/71	46,840	290	5,180	374	862	7.6	1,403	
1971/72	47,043	292	6,368	361	872	6.8	1,384	
1972/73	44,620	262	6,231	211	1,133	8.4	2,093	
1973/74	50,233	276	6,839	343	1,616	8.3	2,674	

ANNEXURE "F"RICE : AREA, PRODUCTION (PADDY) AND FARM VALUE
1962-1974

Crop Years	Harvested Area in Rai	Average Yield (1) (Kg.per Rai)	Production (tons)
A.D.	1,000 rai	Kg.Per rai	1,000 tons
1962/63	38,696	267	10,992
1963/64	39,715	281	11,585
1964/65	37,316	278	11,362
1965/66	37,247	268	10,978
1966/67	43,759	257	11,947
1967/68	36,296	231	9,625
1968/69	39,602	229	10,348
1969/70	45,370	283	13,410
1970/71	42,839	290	13,570
1971/72	44,347	292	13,744
1972/73	42,375	270	12,413
1973/74	48,394	285	14,898
1974/75	45,833	268	13,386

(1) From area planted.

**FINANCIAL STATEMENT IN RESPECT OF VARIOUS CATEGORIES
OF CO-OPERATIVES FOR THE YEAR 1975-76**

Type of Societies (1)	No. of Socs. (2)	No. of members (3)	Business Operations			
			Credit (4)	Input Supply (5)	Marketing (6)	Services (7)
Agricultural Cooperative						
Village Cooperative	26	639	579,100.-	-	-	-
Special form Cooperative	-	-	-	-	-	-
Agricultural Cooperative	559	463,595	1,322,762,332.27	326,074,727.06	492,835,833.07	5,188,350.06
Fisheries Cooperative	4	501	-	507,733.40	-	-
Land Settlement Coop.	50	29,808	16,615,500.-	10,634,356.28	6,536,805.02	893,846.76
Consumer Cooperative	115	214,296	-	914,264,325.24	-	-
Service Cooperative	45	16,883	91,000.-	7,413,596.09	1,016,001.75	840,451.60
					(Saving Account)	(Fixed Deposit)
Thrift & Credit Coop.	147	316,826	1,698,992,532.-	1,724,770,50	118,745,893.70	38,434,274.70
						9(July)
Federations	20	918/1.908	33,010,661.12	155,699,816.30	235,604,309.94	5,566,283.00

No. of Soc. (8)	Net Profit		Net Loss		Working Capital (12)	Owned Fund (13)
	Amount (Bht) (9)	No. of Soc. (10)	Amount (Bht) (11)			
17	74,000.37	9	-	-	-	-
17	74,000.37	9	253,005.03	-	2,547,746.64	311,451.86
-	-	-	-	-	-	-
454	52,935,721.07	82	7,317,512.42	-	2,853,426,998.95	683,019,320.09
3	7,912.06	1	13,485.76	-	1,093,205.52	77,665.71
341	2,247,427.75	2	431,451.48	-	881,803,507.91	32,296,223.43
86	39,896,924.45	20	1,107,598.13	-	242,168,463.42	110,721,666.56
10	1,532,682.57	8	144,358.78	-	147,280,919.92	12,281,522.68
147	115,022,426.85	-	-	-	1,412,799,308.69	1,287,476,794.97
6	1,087,970.25	6	42,078,182.92	-	484,456,906.67	6,222,254.98

ANNEXURE "G-I"

PROGRESS OF AGRICULTURAL COOPERATIVES FROM 1968-74

Year	No. of societies	No. of membership	Working Capital	Fund of Their own	Current Fund	Volume of Business			Income	Expenses	Net (Loss) Profit
						Lending	Purchasing	Marketing			
1968	10,099	256,886	548.49	191.93	70.41	399.98	0.05	159.32	63.62	28.64	13.19
1969	8,464	226,338	616.78	209.25	186.50	469.82	0.57	135.84	67.67	32.77	15.29
1970	1,910	226,326	684.55	254.55	228.45	521.84	4.05	152.68	73.25	33.01	20.12
1971	963	306,978	827.82	302.47	316.04	628.87	12.28	135.02	68.25	32.33	18.25
1972	747	299,305	1,062.33	381.77	376.96	805.58	63.41	150.19	155.63	124.20	28.16
1973	768	337,863	1,047.87	396.11	357.51	801.81	27.25	112.79	160.92	122.90	39.29
1974	621	331,962	1,351.47	506.98	446.71	954.54	83.53	238.82	351.69	290.88	62.26

PROGRESS OF FISHERY COOPERATIVES FROM 1968-74

Unit: Million Baht

Year	No. of socs.	No. of member- ship	Working Capital	Fund of Their Own	Current Fund	Volume of Business			Income	Expenses	Net (Loss) Profit
						Lending	Purchasing	Marketing			
1968	3	799	-	-	(0.55)	-	-	-	-	-	-
1969	3	799	-	-	(0.62)	-	-	-	-	-	-
1970	3	799	8.92	(0.57)	(0.66)	4.25	-	0.21	-	-	0.06
1971	3	801	4.96	(0.54)	(0.65)	4.28	-	0.21	0.14	0.08	0.02
1972	3	809	4.97	(0.52)	(0.62)	4.28	-	0.23	0.10	0.08	(0.04)
1973	3	815	5.00	(0.59)	(0.62)	4.32	-	0.27	0.04	0.08	(1.70)
1974	2	425	3.01	(2.26)	(2.31)	2.30	-	0.37	(1.62)	0.08	(1.04)

ANNEXURE "H"PROGRESS OF LAND COLONISATION COOPERATIVES FROM 1968-74

Unit : Million Baht

Year	No. of societies	No. of membership	Working Capital	Fund of Their Own	Current Fund	Volume of Business			Income	Expenses	Net (Loss) Profit
						Lending	Purchasing	Marketing			
1968	365	8,884	41.99	14.86	7.94	15.82	--	--	1.55	0.23	1.97
1969	365	9,080	37.61	17.80	14.12	8.46	--	--	1.24	0.23	1.48
1970	367	10,008	78.76	17.50	14.06	9.27	--	--	1.46	0.55	1.91
1971	370	11,203	42.70	15.17	7.50	9.84	--	--	1.45	0.74	0.94
1972	370	11,163	48.63	16.65	20.72	9.98	4.88	--	6.60	5.67	3.79
1973	303	9,321	55.10	19.66	31.14	25.72	--	1.88	7.15	5.90	1.29
1974	188	11,894	60.61	26.35	30.30	22.60	--	13.06	17.52	14.21	2.83

ANNEXURE 'I'

<u>Types of Courses</u>	<u>No. of participants</u>	<u>Duration</u>
1. Seminar of Provincial Cooperative Officers	70	one week
2. Seminar of the chiefs of the Land Settlement Cooperatives	60	one week
3. Seminar of the District Cooperative Officers (in the regions)	350	5 days
4. District Cooperative Officers study course (those due for promotion)	100 (two groups)	4 weeks
5. Seminar of Junior Cooperative Officers	50	one week
6. Orientation Course for the newly recruited cooperative officers	50	three weeks
7. Seminar on Maize marketing	130	five days
8. B. Member Education		
1. Pre-member Education (one day training through nine mobile units)	10,500	one day
2. Training of committee members of Agricultural and land cooperatives		4 days
3. Cooperative Group leaders' Training	7,500	one day
4. National Cooperative Leaders' Convention	150	5 days
C. <u>Training of Cooperative Managers and Staff</u>		
1. Training Course for Managers of Agricultural Cooperatives	40	10 weeks
2. Intermediate Course for managers of Agricultural Cooperatives	30	4 weeks
3. Training Course for accountants	60	4 weeks
4. Training Course for creditmen	60	8 weeks

ANNEXURE 'J'

ORGANISATIONS AND PLACES VISITED

1. GOVERNMENT INSTITUTIONS
 - 1.1 MINISTRY OF AGRICULTURE AND COOPERATIVES
 - 1.1.1 Office of Under Secretary.
 - 1.1.2 Department of Cooperative Promotion.
 - 1.1.3 Department of Cooperative Auditing.
 - 1.1.4 Department of Agricultural Extension.
 - 1.1.5 Land Reform Bureau.
 - 1.1.6 North East Agricultural Development Centre.
 - 1.1.7 Northern Agricultural Development Centre.
 - 1.1.8 Greater Chao Phya Agricultural Development Centre.
 - 1.1.9 Marine Fishery Experiment Station, Songkla.
 - 1.1.10 Marketing Organization for Farmers.
 - 1.1.11 THAI-ISRAELI PROJECT.
 - 1.1.12 Thai-Danish Dairy Project.
 - 1.2 OTHER GOVERNMENT AGENCIES
 - 1.2.1 National Economic and Social Development Board.
 - 1.2.2 Kasetsart University.
 - 1.2.3 Department of Public Welfare, Ministry of Interior.
 - 1.2.4 Bureau of Accelerated Rural Development.
 - 1.2.5 Bureau of National Statistics, Prime Ministry Office.
 - 1.2.6 Land Development Project at Nong Plab.
2. BANKING INSTITUTIONS
 - 2.1 National Bank of Thailand.
 - 2.2 Bank for Agriculture and Agricultural Cooperatives.
3. INTERNATIONAL ORGANISATIONS
 - 3.1 FAO Regional Office, Bangkok.
 - 3.2 ILO Regional Office, Bangkok.

3.3 World Bank Office, Bangkok.

3.4 Escap, Bangkok.

4. NATIONAL COOPERATIVE ORGANIZATIONS

4.1 The Cooperative League of Thailand.

4.2 Agricultural Cooperative Federation of Thailand.

4.3 Cooperative Training Centre.

5. DEPARTMENT OF COOPERATIVE PROMOTION

5.1 Agricultural Cooperative Division.

5.2 Land Settlement Cooperative Division.

5.3 Cooperative Training Division.

5.4 Cooperative Technical Division.

5.5 Cooperative Planning Division.

6. PROVINCIAL (CHANGWAT) COOPERATIVE OFFICES

6.1 Rayong.

6.2 Cholburi.

6.3 Chachoengsao.

6.4 Bangkok.

6.5 Petchaburi.

6.6 Rajburi

6.7 Nakorn-Pathom.

6.8 Bangkok.

6.9 Ayudhaya.

6.10 Suponburi.

6.11 Singburi.

6.12 Chainat.

6.13 Uthai-thani.

6.14 Khon Kaen.

6.15 Nakorn Rajsirna.

- 6.16 Lampun.
- 6.17 Chiang-Mai
- 6.18 Songkla.
- 6.19 Nakorn Si Thamruarat.

7. LOCAL COOPERATIVES AND PROVINCIAL FEDERATIONS.

- 7.1 Rayong Agricultural Cooperative.
- 7.2 Ban Kai Agricultural Cooperative, Rayong.
- 7.3 Ban Kai Self-help Land Settlement Agricultural Cooperative Rayong.
- 7.4 Rayong Fishermen's Cooperative.
- 7.5 Meenburi Agricultural Cooperative, Bangkok.
- 7.6 Bangmod Fruit Marketing Cooperative, Bangkok.
- 7.7 Kasetsart University Consumers' Cooperative, Bangkok.
- 7.8 Chachoengsao Cooperative Federation.
- 7.9 Protein Production Centre, Chachoengsao.
- 7.10 Cholburi Tapioca Processing Plants.
- 7.11 Bon Land Agricultural Cooperative Petchaburi.
- 7.12 Thayang Agricultural Cooperative Petchaburi
- 7.13 Hubkaping Agricultural Cooperative
(Thai-Israeli Project, Petchaburi).
- 7.14 Nong Plab Agricultural Cooperative Prachuab,
Kirikhan, Province.
- 7.15 Nong Po Dairy Cooperative Project, Rajburi.
- 7.16 Thamaka Agricultural Cooperative Kanchanaburi P-rov.
- 7.17 Ban Pong Agricultural Cooperative Rajburi.
- 7.18 Ban Pong Handicraft Cooperative Rajburi.
- 7.19 Muak Lak Dairy Cooperative, Saraburi.
- 7.20 Sung-Nern Agricultural Cooperative Nakorn Rajsima.
- 7.21 Nakorn Rajsima Cooperative Federation of Rice Mill.

- 7.22 Lam Ta Klong Agricultural Cooperative Nakorn Rajsimma.
- 7.23 Derm Bang Agricultural Cooperative Supanburi.
- 7.24 Supanburi Cooperative Federation.
- 7.25 Chainat Cooperative Federation.
- 7.26 Khuen Chao Phya Agricultural Cooperative Chainat.
- 7.27 Bangrachon Agricultural Cooperative Singburi.
- 7.28 Singburi Cooperative Federation.
- 7.29 Uthai-Thani Cooperative Federation.

CHIANG-MAI

- 7.30 Sanpatong Agricultural Cooperative.
- 7.31 Sankampaeng Agricultural Cooperative.
- 7.32 Sansai Agricultural Cooperative.
- 7.33 Chiang-Mai Cooperative Federation.
- 7.34 Sankampaeng Village Cooperative.
- 7.35 Sansai Land Settlement Cooperative.
- 7.36 Northern Consumers' Cooperative.
- 7.37 Chiang-Mai Dairy Cooperative.
- 7.38 Sarapi Agricultural Cooperative.
- 7.39 Pak Panang Fishery Cooperative Nakorn Si Thammarat.
- 7.40 Songkla Agricultural Cooperative, Songkla.

NAMES OF THE IMPORTANT PERSONS MET WITH

1. Dr. SANOH UNAKUL, Governor of the Bank of Thailand.
2. Mr. Krit SOMBATSIRI, SECRETARY GENERAL, NESDB.
3. Dr. SUTHEE SINGSANEH, Director General of Cooperative Auditing Department.
4. Mr. Preda Ganasut, Under-Secretary of State for Agriculture and Cooperatives.
5. Col. SURIN CHOLPRASERD, Director General, Cooperative Promotion Department.
6. Mr. Thep Saiyananda, Deputy Director General, Cooperative Promotion Department.
7. Dr. Chaiyong Chuchart, Secretary General, Land Reform Bureau.
8. Prof. Pantum Thisya-Mondol, Adviser, Marketing Organisation for Farmers.
9. Mr. Yukti Sarikaputi, Director General, Department of Agricultural Extension.
10. Mr. Chamlong Tohtong, Manager of BAAC.
11. Mr. Vichien Inthachart, Chief of Agricultural Cooperative Division.
12. Mr. C. Y. LEE, Marketing and Cooperative Officer, FAO.
13. Mr. Prachab Burapharat, Manager of Agricultural Cooperative Federation of Thailand (ACFT).
14. Mr. K.S. Bawa, Adviser to ILO.
15. Dr. SOPIN TONGPAN, Dean of Faculty of Economics and Business Administration, Kasetsart University.
16. Mr. Chalor Thammastiri, Governor of Chiang Mai Province.
17. OPas Charoenpakdi, Chief of Cooperative Training Division.
18. Mr. Bojana Sankariksa, Chairman of ACFT.

APPENDIX IA NOTE ON THE NATIONAL COOPERATIVE DEVELOPMENT CORPORATION OF INDIA

9.1 The National Cooperative Development Corporation was established under the National Cooperative Development Corporation Act 1962 for planning and promoting the programmes through cooperative societies for :-

- i) the production, processing, marketing, storage, export and import of agricultural produce, food stuffs, poultry feed and other notified commodities.
- ii) the collection, processing, marketing, storage and export of minor forest produce.

9.2 It has been assigned a promotional as well as a financial role in the development of cooperatives.

PROMOTIONAL ROLE

9.3 Its promotional role extends to the following sectors :-

- i) Marketing
- ii) Processing
- iii) Agricultural supplies
- iv) Cooperative storage.

9.4

MARKETING

- i) To advise the State Governments, Cooperatives from time to time, regarding the measures to be taken for rationalisation of the marketing structure, expansion of membership, and augmentation of share capital, linking of credit with marketing in the cooperative sector and identification of societies for intensive development.
- ii) Periodical review of the progress of marketing cooperatives and identification of problems in national and regional conferences.
- iii) Building up of a strong trained and experienced managerial base for the marketing and processing societies. Assistance to the societies to have common cadres and training of staff as well as organising special course.

9.5 PROCESSING

- i) Preparation of techno-economic feasibility studies.
- ii) Assistance to the Federations to maintain technical cells.

9.6 Promotional work consists of preparation of techno-economic feasibility studies. It also assists the Federations to maintain technical cells. In the NCDC itself technical experts have been appointed in various fields like oil seed industry, textile and spinning, fruit and vegetables, refrigeration, paddy processing, dairy industry etc.

9.7 The Corporation also provides assistance to the Federations and societies to get techno-economic studies prepared from consultancy firms in the private or public sectors.

9.8 The Corporation also provided financial assistance for the establishment of agro industrial units. For large size units like cooperative sugar factories or cooperative spinning mills, the Corporation provides assistance by way of contribution to the share capital in the respective cooperatives. For medium and small size units, the Corporation provides loans to the extent of 65 to 80% of the block cost.

9.9 After assistance has been sanctioned to a particular unit, the technical cell in the Corporation gives guidance in the selection of machinery, obtaining of licences, installation of units and recruitment of key personnel.

AGRICULTURAL SUPPLIES

9.10 NCDC assists in streamlining the distribution arrangements in respect of the agricultural inputs through the cooperatives so as to develop an integrated system of distribution. In the context of free trade in fertilisers, the Corporation has been establishing closer links between the Cooperatives on the one hand and the Government and fertiliser manufacturers on the other. It has been providing a common forum to the Marketing Federations for identifying and discussing their common problems in respect of fertilisers and input distribution. NCDC also provides financial assistance to the Federations to equip them with the margin money necessary for raising adequate bank finance for procuring and stocking inputs. It has been assisting the Federations in setting up granular fertiliser plants. Financial assistance is also being given for the establishment of formulation units for insecticides, pesticides and also for other processing units.

COOPERATIVE STORAGE

9.11 One of the main functions of the Corporation is to plan and promote programmes for storage through the Cooperative Societies. It provided both financial and technical assistance to the Cooperatives for setting up godowns both at the village level as well as marketing society level. The Corporation also reviews from time to time the progress and problems relating to the construction of godowns as well as their utilisation. It also arranges for the training of the godown personnel of the Cooperatives.

FINANCIAL ROLE

9.12 The Corporation maintains the National Cooperative Development Fund which consists of the turn over on the investment with which this Corporation was started as also the borrowings from the Central Government. The Charter of the NCDC has been amended to permit borrowings from the public by issue of debentures-bonds or from any bank or other financial institutions, etc. Such borrowings are credited to this Fund. From this fund, the NCDC provides financial assistance to finance marketing, processing, storage and supply activities of the cooperatives, by way of loan or subsidy.

9.13 Some of the programmes financed and assisted by the Corporation are :-

- i) Establishment of Technical and Promotional Cells in the National and Apex Federations.
- ii) Setting up of Seed Producers' Cooperative Processing and Sale Societies.
- iii) Granular Fertiliser Plants.
- iv) Assistance towards preparation of Project Reports.
- v) Service and repair centres for agricultural machinery.
- vi) Setting up of Rice Mills.
- vii) Assistance towards the cost of specialised training to technical personnel to Rice Mills, etc.

2/4/78

30/4/78

ROLE OF AGRICULTURAL CO-OPERATIVES IN FOOD PRODUCTION IN THAILAND

In a country like Thailand where agriculture provides sustenance to about 80% of its population and contributes nearly 30% to the Gross Domestic Product, the importance of agriculture cannot be over emphasised. During the last ten years while there has been a significant increase in agricultural production in Thailand the average yields of most of the agricultural crops have been stagnant and in some cases they have even declined. In the case of paddy, which occupies nearly 60% of the land, the average yield per hectare today is not much higher than what it was in 1907. Since bulk of the cultivable land has already been brought under cultivation, further increase in agricultural production can be achieved only by increasing the per acre yield of the land which is already under cultivation. The new Government of Thailand should, therefore, accord the highest priority to increasing agricultural productivity not only to feed its rapidly increasing population but also to maintain and even increase its share in the international market.

2. The research institutions located in various parts of the country have evolved technologies of high yielding variety for most major crops which are suited to the local agro-climatic conditions and are capable of immediate applications in the field. This technology has, however, not yet been extended to the farmers' fields to any significant extent mainly because of the weaknesses in the organisational structure of the

extension agencies and inadequate arrangements for the delivery of inputs i.e. seed, fertilisers and pesticides and also short and medium term credit to enable the farmers to purchase these inputs.

3. The Agricultural Co-operatives can play an effective role in providing credit as well as inputs and also assist the governmental agencies in providing agricultural extension. The Agricultural Co-operatives, as constituted today, however, are not organised nor adequately equipped to perform this role. Their linkages with other agencies and institutions functioning in this field as well as with the institutions within the co-operative sector are relatively weak. There is also considerable scope for improving the management of these co-operatives. The potential of the contribution that the agricultural co-operatives can make towards raising the agricultural productivity does not seem to have been fully recognised by the Government.

4. A few suggestions for more effective involvement of the agricultural co-operatives in stepping up agricultural production are made below:-

A. ORGANISATION AND MANAGEMENT

A.1 Agricultural Co-operatives today cover only about 10% of the population. Co-operatives have not so far been organised in a number of districts. The area of operation of the reorganised agricultural co-operatives is rather extensive and only

relatively affluent farmers are members. A time bound programme should be formulated for increasing the membership and bringing into its fold less affluent farmers so as to broaden the base of the co-operatives.

- A.2 The Farmers' Associations which have been set up by the Department of Agricultural Extension should be merged with the agricultural co-operatives and necessary changes should be made in the bye-laws and other regulations of the Department of Co-operative Promotion to facilitate this merger.
- A.3 The individual farmers who are now being financed by the Bank for Agriculture and Agricultural Co-operatives directly should also be persuaded to become members of the co-operatives so that eventually the Bank has to deal with only one effective organisation in the field of agricultural credit.
- A.4 The management of the co-operatives should be professionalised and the dependence on Government staff for management should be reduced. A programme of recruitment of qualified Secretaries and Accountants should be introduced and adequate arrangements should be made to provide them professional training in collaboration with the Co-operative League of Thailand. The

Department of Co-operative Promotion may provide managerial subsidy on a tapering basis to the societies for appointment of this staff.

- A.5 The Government should assign a definite role to the co-operatives in the national food production programme and the operational programmes of the Department of Agricultural Extension should be closely co-ordinated with the activities of the Department of Co-operative Promotion at the national as well as local levels. In other words, the co-operatives should be assigned specific targets for provision of credit, distribution of fertilisers and other inputs and marketing of agricultural produce. The annual business plans of the agricultural co-operatives should be formulated on the basis of the programme of the Department of Agricultural Extension. In turn, the co-operatives should be assured of adequate financial support from Government e.g. if co-operatives incur losses in fertiliser distribution, etc. for reasons beyond their control, the loss should be under-written by Government. The co-operatives should be recognised as a State aided agency for providing support to the national food production programme. Similarly, in the matter of procurement and distribution of food-grains,

co-operatives should be allowed to act as agent of Government. Preference should be given to the Co-operatives in allocation of quotas for export on Government to Government basis.

A.6 A National Council of Co-operative Development should be constituted at the national level which could guide the Government in policy matters and also co-ordinate the policies and programmes of the Departments and institutions which are involved in this field. The Council could be headed by the Secretary General of the National Social and Economic Development Board and representatives of the Departments of Agricultural Extension, Co-operative Promotion, Bank for Agriculture and Agricultural Co-operatives, Bank of Thailand, Agricultural Co-operative Federation of Thailand, Consumer Federation, Co-operative League of Thailand should be its members. The National Social & Economic Development Board should serve as the Secretariat for this Council.

A.7 The present restrictive provision in the bye-laws in respect of the admission of new members should be removed and emphasis should be given to the enrolment of small and marginal farmers as members of co-operatives. The membership requirements should be similar to those applicable to the Farmers' Associations.

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B. CREDIT

- B.1 There should be a unified credit system for all categories of borrowers under the aegis of the Bank for Agriculture and Agricultural Co-operatives. The present practice of Government agencies granting loans to various departments and co-operative institutions on different lending criteria should be discontinued.
- B.2 The present policy of Government of providing loans at 2% interest from the Co-operative Promotion Fund and the Farmers' Aid Fund should be discontinued. The funds should be routed through the Bank for Agriculture and Agricultural Co-operatives or they may be utilised for providing managerial subsidy, conducting feasibility studies for new ventures, etc.
- B.3 At present the BAAC extends credit to (i) individual clients, (ii) Agricultural Co-operatives and (iii) Farmers' Associations. After the merger of the Farmers' Associations into Co-operatives and the enrolment of individual clients of the BAAC as members, the BAAC should be gradually converted into a Bank for co-operatives.
- B.4 The lending policies and procedures of the BAAC and of the societies should be simplified so as to improve recoveries.

- B.5 The BAAC should evolve procedures for grant of long term loans to members for purchase of tractors and other capital assets.
- B.6 The following suggestions have been made for liberalising the lending policies and simplifying the procedures :-
- (a) The present limit for loans without mortgage should be raised to a reasonable level having regard to the actual cost of cultivation of a holding of average size.
 - (b) Scales of finance should be fixed for various crops in consultation with the Department of Agricultural Extension so that the field staff is able to apply uniform lending criteria.
 - (c) A system of crop loan should be introduced and a part of the loan should be given in kind i.e. seed and fertilisers.
 - (d) Since more than 50% of the farmers do not have recorded rights in land, a land register should be maintained in each society indicating the extent of land actually cultivated by the members, duly verified by the Managing Committee of the society. This register should be the basis for determining the loan eligibility in the absence of title deeds.

- (e) The question of amending the relevant legislation to provide for creation of a charge (lien) on land and the crops standing thereon and for the registration of this charge should be examined to obviate the requirement of mortgage of land for loans above the present ceiling.
- (f) Branch Managers of the BAAC should be given powers to sanction and disburse loans at their level on the basis of the prescribed scales of finance.
- (g) The numerous levels of scrutiny of loan applications should be reduced and some of the levels should be eliminated.
- (h) With the introduction of scales of finance, the BAAC should confine itself to the sanctioning of maximum credit limits leaving it to the management of the society to sanction loans to individual members.
- (i) The responsibility of supervision of the utilisation of loans should be entirely with the society and the society should appoint necessary staff for this purpose.
- (j) A high level Committee should be appointed to make a study of the policies and procedures of the BAAC and of the agricultural co-operatives so as to eliminate the delay involved in the

sanctioning of fresh loans. The Committee should consist of the representatives of CPD, DAE, BAAC, Commercial Banks and some leading Co-operators.

- (k) A time schedule should be laid down for processing loan applications at various levels and the period required for processing from the date of application to the date of receipt of loan should not extend more than a month.
- (l) At present the attention of the BAAC is focussed on production credit. It should also extend credit facilities to ACFT (Agricultural Co-operative Federation of Thailand), Provincial Federations and the agricultural co-operatives in respect of their marketing activities and fertiliser distribution.

C.2. MARKETING

- C.1 Government should recognise the Co-operatives as its agent for marketing operations and give them preference in all marketing activities, especially in the allocation of quotas for export of foodgrains on Government to Government basis.
- C.2 The ACFT should be recognised as an agent of Government for marketing activities and the Government should strengthen the ACFT suitably.

- C.3 The ACFT should diversify its marketing activities and develop expertise in the marketing of fruit, Tapocia, etc. It should seek outlets abroad with the assistance of the International Co-operative Trading Organisation at Singapore.
- C.4 There should be closer co-ordination between the ACFT and MOF (Marketing Organisation of Farmers) to avoid duplication in their activities. The MOF should utilise the existing co-operative marketing structure at the Provincial level and should not set up another parallel field organisation. The ACFT and the Provincial Federations should function as agents of the MOF.
- C.5 BAAC should meet the requirements of working capital of the ACFT and Provincial Federations. If necessary, Government should stand guarantee to the BAAC on behalf of the ACFT for repayment.
- C.6 The managements of both the ACFT and Provincial Federations should be strengthened. A common cadre should be constituted for the ACFT and Provincial Federations, so that the employees of the Federations can be assured of adequate promotion prospects.
- C.7 The ACFT should assume the role of a National Federation and guide and supervise the affiliated societies and establish close ties with them.

uniformity in the prices at the retail level. The Department of Agricultural Extension and the Department of Co-operative Promotion along with ACFT should jointly work out an Annual Plan for distribution of fertilisers in the various provinces, monthwise.

- E.2 The ACFT should work out its annual requirements of fertilisers in consultation with the affiliated societies on the basis of their monthly requirements and plan its imports accordingly.
- E.3 The ACFT should streamline its procedures and provide satisfactory services to the societies so that the Agricultural Co-operatives do not buy fertilisers from the open market.
- E.4 There should be co-ordination between the MDF and the ACFT in the import of fertilizers. ACFT should act as an agent of MDF in the matter of fertilizer distribution.
- E.5 Agricultural Co-operatives should also distribute seed on behalf of MDF, which has been entrusted with the task of multiplication of seed.

F. FARM GUIDANCE

- F.1 Recruitment of farm guidance workers should be made locally at the society's level under the guidance of the officers of the Co-operative Promotion Department in the initial stages.
- F.2 The pay scales and other facilities given to the farm guidance workers should be at par with those of the functionaries of the Department of Agricultural Extension, so that they are not

- constantly on the look out for better openings in the DAE.
- F.3 The farm guidance workers should be given intensive training in agricultural extension of atleast six months' duration with the help of the Department of Agricultural Extension.
- F.4 There should be close co-ordination between the functionaries of the DAE and the farm guidance workers of the societies in the field. The farm guidance workers should serve as agents of the functionaries of the Department of Agricultural Extension.
- F.5 The extension personnel of the DAE should provide extension facilities to the members of the co-operatives which have not yet appointed their own farm guidance workers.

G. CO-OPERATIVE EDUCATION AND TRAINING

- G.1 The Co-operative League of Thailand should be strengthened and should be the only agency for providing training to the employees of the co-operatives as well as co-operative leaders.
- G.2 Regional Training Centres should be established under the auspices of the League for providing specialised training to the managers of the rice mills, dairy co-operatives, fishery co-operatives, etc.
- G.3 The present limit of 5,000 baht on the contributions from the Co-operatives to the League, should be removed.
- G.4 The Government should give substantial financial assistance to the League to expand its activities.

- G.4** The Government should give substantial financial assistance to the League to expand its activities.

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