

Draft Report

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ICA/JA-ZENCHU FIELD STUDY ON

**FOOD SECURITY ISSUES
vis-a-vis
FARMERS' ORGANISATIONS AND
AGRICULTURAL COOPERATIVES
IN ASIA**

Report prepared by:

Daman Prakash, Director
Agricoops Management Training Project
ICA ROAP, New Delhi

for

International Cooperative Alliance
Regional Office for Asia and the Pacific, and

JA-Zenchu. The Central Union of Agricultural
Cooperatives of Japan

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VIS-A-VIS FARMERS' ORGANISATIONS AND
AGRICULTURAL COOPERATIVES IN ASIA

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International Cooperative Alliance
Regional Office for Asia and the Pacific
43 Friends Colony-East, New Delhi 110065. India

JA-ZENCHU
Central Union of Agricultural Cooperatives-Japan
8-3, 1-chome, Ohtemachi, Chiyoda-ku, Tokyo 100. Japan

June 1998

INTRODUCTION

"...Without an increase in income among the poorer classes, there will never be a farm system that will manage to feed them at prices which are both accessible to all and remunerative to the producers...It is necessary to support the movement of small farmers' associations by giving them the means to stock, process and market their products and guaranteeing accessible and adequate credit facilities." (Source: DEEP-Development Education Exchange Papers, FAO. 11/96)

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INTRODUCTION

Background and Rationale: The importance of agricultural development in Asia and the Pacific is irrefutable. Food and agricultural production generate supplies, income, and solid basis for overall economic growth. Many countries, however, and regions within other countries, have little potential to produce food required for the needs of their growing population. Concern with the state of environment and the dwindling amount of per capita of land and water resources as well as their degradation raises questions about the extent to which resource and environmental constraints may impinge on the prospects of increasing food supplies and assuring access to food by all.

The issue of food security requires an honest look into inter dependencies within the Region of Asia and the Pacific, especially at a time when the apex of the World Trading System - the World Trading Organisation/WTO - has come into being and increasingly subdivided into many regional trading blocks. Therefore, countries facing food security problems could hardly be complacent about the global food situation.

An informed debate within the agricultural cooperative sector points to the fact that there is a need to strengthen the relationship between farmers' organisations in Asian countries, and to seek appropriate ways to enhance food security among cooperative members and people in this Region. Countries can no longer rely exclusively on their own production because the choice of goods would be far less and hunger would increase. The linkages between trade, growth, employment, and poverty are not so clear-cut since each of these variables is influenced by other factors.

Towards that end, and based on the fact that the WTO will start negotiating agricultural agreement by the end of 1999, the Central Union of Agricultural Cooperatives of Japan (JA-Zenchu) has taken the lead to develop closer relationships and linkages with national farmers' organisations and agricultural cooperative organisations in the Asia-Pacific Region. Through such linkages it would be possible for the JA-zenchu to assess the policy direction and strategies of these organisations on the issue of Food Security, and to jointly forge a common strategy in responding to the activities being undertaken by the United States and the Cairns Group.

It is in this context that the JA-Zenchu decided to conduct a rapid survey/field study to seek the required information for enhancing future collaboration with like-minded farmers' and

cooperative organisations in the Region. The Study was carried out in collaboration with the International Cooperative Alliance Regional Office for Asia and the Pacific (ICA ROAP) which happen to have closer relationship with the Agricultural Cooperative Movement in the Region which it serves.

Objectives of the Field Study: The main objective of the Study was to seek relevant information about the organisational structure, business activities, policy directions, and strategies of various national farmers' organisations and agricultural cooperatives in the Region surrounding food security, relationship with their respective governments etc. (See: **Annexe-1 Terms of Reference and Questionnaire Used**).

Conduct of the Field Study: The rapid survey/field study was carried out by the ICA ROAP under the general direction and guidance of the JA-Zenchu during the period April-June 1998.

Countries and Organisations Covered: The following countries and organisations were covered under the field study:

- i. **Bangladesh**
 - The Bangladesh National Federation for Rural Development
 - The Bangladesh Cooperative Marketing Society
- ii. **India**
 - The National Agricultural Cooperative Marketing Federation of India Limited/NAFED-India
- iii. **Indonesia**
 - Union of Indonesia Dairy Cooperatives-GKSI
- iv. **Malaysia**
 - The National Farmers' Association-NAFAS
 - Selangor State Farmers' Association-SSFA
- v. **The Philippines**
 - The Philippines Chamber of Cooperatives - National level
 - LAMAC - a municipal level cooperative
 - San Joaquin - a municipal level cooperative
 - LIMCOMA - a regional level cooperative
 - NORPHIL - a provincial level cooperative
 - Soro-Soro - a city level cooperative
- vi. **Sri Lanka**
 - Sri Lanka Cooperative Marketing Federation Ltd.-MARKFED
 - 3 Farmers' Organisations: Teldeniya, Galgedera, Wattegama
- vii **Thailand**
 - Agricultural Cooperative Federation of Thailand-ACFT
 - Dairy Cooperative Federation of Thailand-DCFT

Methodology of the Field Study: In consultation with the JA-Zenchu, a detailed questionnaire was prepared covering various segments of the field study. A group of experts who would write brief reports based on the points contained in the questionnaire,

were identified and commissioned. The questionnaire together with a introductory note was supplied to the experts. The experts were requested to write their reports based on their contacts and personal discussions with the relevant organisations and also give their own views and opinions on the findings. The responses received from the experts were analyzed and summarised.

The following experts were requested to write reports:

- i. **Bangladesh** - Prof Swapan Kumar Dasgupta
Bangladesh Academy for Rural Development, Comilla
- ii. **India** - Mr G.K. Sharma
former ICA Regional Director for Asia-Pacific, and
former Managing Director of NAFED-India
- iii. **Indonesia** - Ir Ibnoe Soedjono
former Director-General, Cooperatives, Indonesia
- iv. **Malaysia** - Cooperative College of Malaysia
[Ms Armi Zainnudin and Ms Sushila Devi]
- v. **The Philippines** - Engr Felipe Mateo Jr., Consultant
Cooperative Union of the Philippines Inc
- vi. **Sri Lanka** - Mr R.B. Rajaguru
former ICA Regional Director for Asia-Pacific, and
former Commissioner, Cooperative Development, Sri Lanka
- vii. **Thailand** - Mr Pradit Machima
former Advisor, ICA ROAP, and
former Director, Cooperative League of Thailand

The work of the Field Study was coordinated by Mr Daman Prakash, Director (Agricultural Cooperative Management Training Project for Asia) at the ICA Regional Office, under the general direction, guidance and supervision of Mr Robby Tulus, ICA Regional Director, and Mr Masahiro Matsuda, Chief of the International Cooperation Office of the JA-Zenchu, Tokyo.

The following material forms a part of this documentation:

- PART-I -A Summary of Findings
 -Main Conclusions
- PART-II Reports received from the Experts

*"National food security depends on domestic food production of food imports. Food production increasingly suffers from two major constraints: the low social prestige of food compared with other goods and the processes of migration and urbanisation ... Urbanisation substantially reduces people's ability to produce food and makes them mainly dependent on commercial supply."
(Source: DEEP. FAO 11/96)*

TERMS OF REFERENCE

ICA/JA-ZENCHU FIELD STUDY ON FOOD SECURITY ISSUES VIS-A-VIS FARMERS' ORGANISATIONS & AGRICULTURAL COOPERATIVES IN ASIA

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I. Background and Rationale

01 The importance of agricultural development in Asia and the Pacific is irrefutable. Food and agricultural production generate supplies, income, and solid basis for overall economic growth. Many countries, however, and regions within other countries, have little potential to produce food required for the needs of their growing population. Concern with the state of environment and the dwindling amount of per capita of land and water resources as well as their degradation raises questions about the extent to which resource and environmental constraints may impinge on the prospects of increasing food supplies and assuring access to food by all. The issue of **food security** requires an honest look into inter dependencies within the Region of Asia and the Pacific, especially at a time when the apex of the World Trading System - the **World Trading Organisation/WTO** - has come into being and increasingly subdivided into many regional trading blocks. Therefore, countries facing food security problems could hardly be complacent about the global food situation.

02 An informed debate within the agricultural cooperative sector points to the fact that there is a need to strengthen the relationship between farmers' organisations in Asian countries, and to seek appropriate ways to enhance food security among cooperative members and people in this Region. Countries can no longer rely exclusively on their own production because the choice of goods would be far less and hunger would increase. The linkages between trade, growth, employment, and poverty are not so clear-cut since each of these variables is influenced by other factors.

03 Towards that end, and based on the fact that the WTO will start negotiating agricultural agreement by the end of 1999, the Central Union of Agricultural Cooperatives of Japan (**JA-Zenchu**) is taking the lead to develop closer relationships and linkages with national farmers' organisations and agricultural cooperative organisations in the Asia-Pacific Region. Through such linkages it would be possible for JA-Zenchu to assess the policy direction and strategies of these organisations on the issue of Food Security, and to jointly forge a common strategy in responding to the activities being undertaken by the United States and the Cairns Group.

04 It is thus the intention of JA-Zenchu to conduct a rapid survey to seek the required information for enhancing future collaboration with **like-minded farmers/cooperative organisations** in the Region.

II. Objective of the Study

05 It is thus the objective of this Study, by way of a rapid survey, to seek relevant information about the organisational structure, business activities, policy direction, and strategies of various national farmers' organisations and agricultural cooperatives in this Region surrounding food security, relationship with their respective governments etc.

III. Conduct of the Study

06 The International Cooperative Alliance Regional Office for Asia and the Pacific (ICA ROAP) has been assigned to conduct the study-cum-survey under the general direction of the JA-Zenchu.

IV. Target Countries

07 The countries targeted for the Study are the following:

1. The Philippines*
2. Thailand
3. Malaysia
4. Indonesia*
5. India*
6. Sri Lanka
7. Bangladesh*
8. Iran
9. Israel*

*denotes IFAP member-countries.

V. Methodology

08 The methodology of this Study will employ various instruments conducive to achieving the results expected. The instruments used will be: (a) A Questionnaire (and rapid survey by way of interviews, where possible), (b) a field survey. A questionnaire to obtain the views and opinions of the Organisations including information on their objectives and management has accordingly been designed, a copy of which is *enclosed herewith*. The Questionnaire is to be filled in by the correspondent-experts who would obtain the necessary information by contacting various organisations. The information obtained will be compiled in an analytical document by the ICA ROAP. The document will later on be reviewed by the correspondent-experts at a consultation meeting to be held by the ICA/JA-Zenchu.

"Deregulation of markets from political influence and liberalisation of trade reduce the scope of governments and civil society to maintain a minimum level of social and human conditions protecting especially the weaker sections of society from complete physical and psychological breakdown. They also decrease people's participation in shapring the economic, social and political system through democratic elections." (DEEP.FAO)

ICA/JA-ZENCHU Field Study on
FOOD SECURITY ISSUES VIS-A-VIS FARMERS' ORGANISATIONS
& AGRICULTURAL COOPERATIVES IN ASIA

QUESTIONNAIRE

[] Correspondent-Expert

[] Country

Note: Please read through this Questionnaire and the accompanying note carefully before completing the Questionnaire. Please give the most recent and authentic information (as of December 1996). The main emphasis in the Questionnaire is on Food Security issues in various countries of the Region. Please attach additional sheets where necessary. You, as a correspondent-expert, are requested to kindly focus on one national level cooperative organisation (e.g., marketing federation etc.) and one farmers' organisation - national or provincial level. This proforma is not being referred to individual organisations, but the correspondent-expert is expected to write briefly on the organisations mentioned above. Of course, a discussion with them would certainly help to obtain reactions.

Please return immediately your report and the completed Questionnaire to:

The Regional Director
International Cooperative Alliance
Regional Office for Asia and the Pacific,
43 Friends Colony-East, New Delhi 110065. India

1. ORGANISATION

1.1 Name and full address of the Organisation:

1.2 Year of Establishment:

1.3 Brief historical background of the organisation:

1.4 Number of current (1996 December)
individual members or affiliates:

1.5 Type of Membership: Individuals/Organisations
(Please explain briefly)

1.6 Management System of the Organisation: ATTACHED
(Please attach organisational structure
of the Organisation and
give some brief explanation)

1.7 Financial Situation of the Organisation
as of December 1996 (in US dollars):

- a. Total Working Capital :
- b. Members' own share :
- c. External shares (e.g., government) :
- d. Earning Profits/Incurring losses :
- e. Receiving subsidies :
- f. If YES, on what items and at what rate?
(explain briefly)

YES/NO

2. ORGANISATION'S ACTIVITIES

2.1 Main Objective of the Organisation.
(Reproduce from Byelaws/Articles of Association)

2.2 Outline of Major Activities of the Organisation:

3. ORGANISATION'S RELATIONSHIP WITH THE GOVERNMENT

3.1 Legal Status of the Organisation.
Please answer the following/any of the points:

-Organisation created by the government by an Act of the
Parliament (Please specify)

-Organisation grew out of the provisions of other laws e.g.,
cooperative law etc.

-Organisation enjoying monopoly on certain items;

-Organisation created by non-government initiatives

-An NGO and duly recognised by the government. Please
explain briefly.

3.2 Relationship on Activities.

Please answer the following points:

- Whether activities are carried out on the initiative of the government;
- Members' meetings;
- Based on market situation;
- Legal or other obstacles in carrying out activities. Please cite examples wherever possible;
- Extent of dependency on the government.

3.3 Human Relationship.

Please answer the following/any of the points:

- Whether Organisation is free to select and appoint all its personnel including its chief executive officer;
- Obtains personnel from government on secondment basis;
- Board is nominated by an external agency or democratically elected from among the members;
- Own internal staff training arrangements exist or makes use of other institutions.

3.4 Financial Relationship.

Please answer the following/any of the points:

- Major source of funding of the Organisation;
- Percentage of government contribution;
- Percentage of borrowings from the open market;
- Problems encountered - legal or others - in raising the needed working capital;
- Situation of retiring government's initial contributions.

4. POLITICAL RELATIONSHIPS

4.1 Does the Organisation receive any political patronage? YES/NO

If YES, briefly describe the type of patronage, from which political party and with what objective?

- 4.2 How are the elections in the Organisation conducted and with what frequency?
- 4.3 Does the Organisation or its Main Objective figure in any of the political manifestos?
5. **ORGANISATION'S CONCEPTS OF FOOD SECURITY:** *This is the key part of the Questionnaire. The main focus is on food security issues and the effects of World Trade Organisation's future agreements. Please use additional sheets citing corresponding numbers. Please explain the following points precisely:*
- 5A The national strategy on:
- i. Securing the interests of the farmer-producers, procurement, post-harvest technology, marketing:
 - ii. Fair remunerations to the producers:
 - iii. The role of the organisation in food security issues:
- 5B Organisation's views on:
- i. Long-term and short-term food export/import issues:
 - ii. Entry of multi-national companies in food business:
 - iii. Producing food for others:
- 5C Your views and stances to WTO's Agricultural Agreement Negotiations which are likely to commence in 1999.
- 5D In case WTO's Agricultural Agreement Negotiations succeed, in your own views, what kind of influence/damage your country and the organisation will suffer from it.

"Non-governmental organisations have done and are still doing a lot to improve food security, especially for poor people in the South. Activities range from promoting and implementing appropriate farming technologies through food aid operations to political lobbying to influence national governments and international development institutions. Thanks to NGO projects, sustainable agriculture has, in many countries, become the mainstream of food production and has successfully penetrated the minds of political decision-makers and agricultural experts."
(Source: DEEP FAO.11/96)

PART-I
-A SUMMARY OF FINDINGS
-MAIN CONCLUSIONS

*"Many of the NGO projects follow common principles of food security: Resisting globalisation of food and nutrition; Local rather than global power structures; Choice of technologies which are mastered by the people without dependence on outside experts; Preserving cultural identity rather than absorbing Western cultures; Global solidarity rather than global competition."
(DEEP. FAO 11/96)*

PART - I

A SUMMARY OF FINDINGS

Introduction

"Essentially, food security, means that all people at all times have access to safe and nutritious food to maintain a healthy and active life. This definition implies three dimensions to food security, namely, availability, access and stability and various levels of aggregation i.e., global, national, household and individual. It thus becomes obvious that achievement of universal food security at the individual level, which implies achievement at the more aggregate levels, is constrained or facilitated by a combination of social, political and economic conditions. And, it is clear that the relevance of these conditions to food security at one level of aggregation is not restricted to the state of conditions at the same level of aggregation. That is, for example, the ability to achieve food security in one country can be affected by conditions economic, political and social etc.) in other countries; as the world economy becomes more integrated it becomes more difficult for a country to insulate itself from the decisions and actions of others. At the same time, this same integration offers the potential for spreading the effects of production shortfalls in one country over the world and thus greatly reducing the negative impact on food security in any one country.

"Because they affect agriculture, global, national, and local shifts in national political and economic relations and structures have implications for food security. First, how food is to be produced and distributed are fundamental concerns of national economies and contribute to ongoing policy debates about how to restructure economic and political systems." (FAO WFS-96/Tech.5).

Food security is also affected by population growth, poverty, deforestation, environmental degradation, overfishing, refugees, climatic changes, concentrated resource ownership and/or management, and disease. Nations increasingly understand that most of these problems cannot be resolved by one country or a group; they transcend national borders, spreading instability and suffering throughout the region and around the world. Population growth is probably the single most important global trend influencing food security. It took nearly one million years for the earth's human population to reach one billion people. During the next ten years, another one billion persons will be added.

Food security has now become an important issue which is before the international community. Well over 800 million people are food insecure; almost 40,000 people die every day due to malnutrition. Food security is fundamental prerequisite for maintaining the international order and socio-economic stability. Stable food availability at the national, regional and household level is a cornerstone of nutritional well-being. Strengthening

food production base is necessary for improving nutrition in most low-income and food-deficit countries. In addition, agriculture, including fisheries and forestry and related rural industries, provides income for the landless and their families, who are often among the most nutritionally vulnerable groups. Some of the most urgent problems to be addressed today are: the need to increase the productivity and living standards of small-scale producers and the disadvantaged; the need to maintain returns to producers that will enable them to adopt productivity-enhancing and labour-optimising technologies and the need to give adequate support to agriculture within development budgets which are already strained.

In developing countries of this Region, crops and animal production, fisheries and forestry are direct sources of food and provide income with which to buy food. Virtually all communities in the world however remote, rely on markets to some degree. Therefore, the terms of trade, the efficiency of marketing systems, the existence of fair prices for producers and consumers, the status of a household as net food buyers or sellers and the assets the family owns, including the amount and quality of land available to it, are all important determinants of nutritional status. Landless labourers and their families, who obtain food with wages which are often irregular and uncertain, are among those most threatened by food security. In countries where necessary land reforms have not been implemented the tenants on small farms form another highly vulnerable group. In urban areas where people purchase most of their food, the poor are vulnerable to food price fluctuations, and to changes in employment conditions and in the level of their earnings.

In 2000 for an expected population of 3,144 million in the Asia-Pacific Region, the demand for food-grains is estimated at 830 million tons. As against this, the anticipated production is 811 million tons leaving a deficit of 19 million tons. In 2010 the population of the developing countries of Asia is expected to have a population of 3,729 million. The demand for food-grains is placed at 959 million tons and the production is estimated at 927 million tons leaving a gap of 32 million tons. Even though the Region is expected to generate enough supply of food-gains to meet the demand without significant imports by 2010, it is estimated that still over 200 million people will suffer from chronic under-nutrition.

The slow down in agricultural output is due to several factors. Some of these are: Limited availability of new farmland; reduced water resources; increased consumption of food-grains due to increase in population; depletion of world food stocks; pressure on food consumption among developing countries; adverse effects of environmental changes; lack of appropriate technologies in crop protection and inadequate post-harvest systems and facilities; unfair trading practices in international markets, and unfavourable international practices and regulations. World food production is also known to have declined due to unfavourable lending practices adopted by international lending institutions which often resort to arm-twisting of governments

to adopt certain methods and strategies to qualify for loans. Some other factors which also influence food security are: shifting or unclear political decisions of various governments especially in developing countries, inadequate agricultural research and facilities, economic crisis, political instability, lack of incentives and proper planning for self-help and voluntary groups among farmers, shortage of farming population due to old age or due to lack of interest among the younger generation in agriculture, continued poverty again in developing countries and slow progress in the implementation of land reform programmes.

The agreement establishing the World Trading Organisation (WTO) came into force on January 01 1995. In many ways, the WTO is different from its predecessor, the General Agreement on Trade and Tariff (GATT). WTO members have to accept all obligations of GATT and other relevant agreements. The agreements constituting the WTO are multilateral in character and involve commitments for the entire membership. The WTO also incorporates the mechanisms of consultations, safeguards, fair trading, disputes settlement and enforcement of settlements. Countries cannot veto judgements against them. It has also been found that until now most of the settlements reached under the banner of the WTO have gone in favour of developing countries. But still the powerful partners have been having their way. It is also assumed that the WTO agreements would serve the interests of developing countries. Agriculture has been the main interest of the developing countries, and, therefore, in the near future trading in agricultural products will come under a sharper focus. It rests with the developing countries to watch their interests more carefully while entering into international trading agreements. It is also likely that questions like subsidies and patents will emerge.

The Field Study

The present field Study concentrated on seven (7) countries i.e., Bangladesh, India, Indonesia, Malaysia, the Philippines, Sri Lanka and Thailand (out of which Bangladesh, India, Indonesia, the Philippines were the member-countries of the IFAP). A total of 18 institutions - agricultural cooperatives and farmers' organisations were covered. In order to carry out field work and writing of reports, seven resource persons were identified. Full reports received from the resource persons are given in Part-II of this Report.

Main points emerging out of the reports are summarised hereunder:

01 Bangladesh

Poverty and food insecurity are synonymous and inseparable. Poverty is the core cause of food insecurity. The main causes of poverty are: landlessness, illiteracy, dependence only upon wage labour, decreasing real wages, unemployment, underemployment, large family size, weak health, natural disaster, exploitation

by the power structure, urban bias development. The Cooperative Movement is the pioneer in addressing poverty/food insecurity in the name of economic development.

Bangladesh is a country of 85,650 villages in an area of 143,000 sq km with a population of 111.4 million of which 80% live in rural areas. Per capita income is USD 240 and the literacy rate is around 32.4%. There are 20 national, 1,109 central and 139,562 primary cooperatives with a total membership of nearly 7.4 million. The main function of cooperatives is credit, farm input supplies and some marketing. The survey covered two cooperative institutions i.e., the Bangladesh National Federation for Rural Development Ltd., and the Bangladesh Coop Marketing society Ltd.

Characteristics

- Both are autonomous cooperative organisations;
- Both the cooperatives are involved in agricultural functions;
- They are covered by the Cooperative Law;
- Both of them follow a democratic management structure. The Boards of Directors are elected by the General Meeting for a term of three years;
- Part of Board Members are nominated by the government;
- They do not receive any subsidies from the government although a part of shares is held by the government;
- They hire their own employees;
- They do not enjoy any political patronage.
- The employees are trained by using facilities of other institutions e.g., Cooperative College at Comilla, BARD etc.

The main objectives of the Rural Development Federation are: dialogue with the government on cooperative issues, identifying development projects for cooperatives and arranging training of cooperative members and employees. The main objectives of the Marketing Society are developing credit system and agricultural marketing infrastructure and development of consumer cooperatives to ensure steady supply of consumer goods and farm inputs. The Marketing Society is 98% dependent on government financial support (in the form of shares). The Society operates in three major areas e.g., cold storage (5 for potatoes), rice processing (4 rice mills) and one consumer store.

Views on the Concept of Food Security and National Strategy regarding Agriculture

In order to ensure higher agricultural production and food security, the two organisations emphasise the following:

- Distribute High Yielding Varieties of seeds, good quality of farm implements, fertiliser, insecticides;
- Development of storing and processing facilities for agricultural products to ensure higher levels of income to the farmer-producers;
- Assist the government/cooperatives to procure crops during peak harvesting time to ensure fair price to the farmers;
- Effective marketing through proper grading, storage and marketing methods;
- Farmers to be provided appropriate post-harvest technology to avoid losses and to maintain the quality of farm products;
- Increase production of export-oriented farm products;
- Restricted entry of multinational companies in food business with a view to safeguard the interests of basic farmers, processors and traders; and
- Producing food for others is relevant if local producers get some advantage in additional income and technology.

Views on WTO's Agricultural Negotiations

Although globalisation of agricultural production and marketing process is welcome being the necessity of the world today, top priorities should be attributed to the development of domestic agriculture and farmer-producers' interests. Agricultural production and marketing should be opened for outsiders very slowly. Agreements should be entered into on export and import of selected agricultural commodities among selected countries through careful negotiations to protect the interests of the farmers, agriculture and the country.

In case trade agreements are successful, these might result into improvement of farm technology and farm management systems. Positive changes in technology, investment, employment, production and income in agriculture can be expected. On the other hand, with the introduction of new farm technologies and due to the pressure of international market, local production may adversely turn into export-oriented commercial agriculture, unskilled farmers and labourers might lose their already limited earning potentials, and capitalistic farm production system may encourage more inequality in the distribution of agricultural income resulting into social problems.

02 India

A large country with a population of 950 million. Land area 328.7 million ha., cultivated area 142.1 million ha, average land holding between 1.5 and 2 ha. Literacy rate between 50-60%. Per

capita income US\$ 340. Major products include, among others, rice, wheat, sorghum, maize, coarse pulses, oilseeds, cotton, jute, sugarcane and horticultural crops. Total number of cooperatives of all types 342,000 with a total membership of 164 million.

The Cooperative Movement in India is one of the oldest in the Region. Started as a credit movement in 1904, it has now branched off into several specialised sectors such as marketing, international trade, agro-processing, fertiliser production and supply, production of heavy machinery, housing, consumer, fisheries etc. Agriculture is the strongest segment of the cooperative sector. Cooperatives cover 99.5% of all villages in the country and rural household coverage of 96%. Agro-processing activities are undertaken by 244 cooperative sugar factories covering 60.5% of sugar produced in the country - nearly 45-50% of the total world production, 70,188 dairy cooperatives - India is now second largest milk producing country in the world, 138 oilseed cooperatives, rubber, horticultural cooperatives and others such as rice, cotton, jute and other mills. India is the fourth largest producer of nitrogenous fertiliser. Fertiliser is distributed through 2.3 million sales points out of which 31% are cooperatives.

The main functions of the Indian Agricultural Cooperative Movement have been credit and farm input supplies, marketing of agricultural produce, and agro-processing. The main objective has been to ensure fair remunerations to the farmer-producers, upgrading the farm technology and improve their living conditions.

The Study covered one national level agricultural cooperative marketing institution, the National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED-India). Established on 2nd October 1958, the NAFED has in its membership 24 state cooperative marketing federations representing 468 primary marketing cooperatives. It has no individual members.

Characteristics

- Autonomous national level federation also enjoying monopoly on certain items;
- Democratically-controlled organisation with no government controls except as are needed under the Multi-State (Central) Cooperative Societies' Act;
- NAFED recruits its own employees including the Managing Director, who is also its chief executive officer;
- Government personnel are recruited as per the decisions of the Board of Directors;
- There is no government participation in its share capital;
- All funds needed for its working capital are raised from

among its members and from financial institutions as loans;

- It is a profit-making institution;
- It receives no subsidies of any kind from the government;
- It supports the government in maintaining price line on various selected commodities as and when needed and as per government directions;
- Does not have any political affiliations;
- Elections are held once in three years;
- NAFED has its own in-house training system for its staff, and also makes use of training facilities of other institutions.

Its main objectives are to organise, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce, distribution of agricultural machinery, implements and other inputs, undertake inter-state, intra-state, import and export trade and to act and assist for technical advice in agricultural production for the promotion and the working of its members and cooperative marketing, processing and supply societies in the country.

Some of the principal activities of NAFED are: Domestic marketing of food-grains, pulses, oils-oilseeds, spices, fruits and vegetables, eggs, tribal produce, processed food, organic and inorganic fertiliser, distribution and servicing of farm machines; Exports of various agri-products, onion and nigerseed; Imports of farm products as and when warranted and on the advice of the Government of India and some raw material for fertiliser; Price Support/Marketing Intervention Operations especially in commodities like onion, potato, ginger, fruits, spices, eggs to stabilise prices and to protect the interests of farmers; Consumer distribution of items like onion, potato, eggs, pulses, edible oil etc.; and Agro-Industries for processing of fruits and vegetables, manufacture of bio-fertiliser and supply of farm machines.

Business of NAFED is carried out in accordance with the policy decisions of the Board of Directors. It is dependent on the government only in respect of Price Support, Market Interventions and exports of onions and nigerseeds. Major source of funding is its share capital, reserves and other funds, and borrowings from financial institutions. At present there is no government contribution. Borrowings from the open market is less than 25% of its own funds.

Views on the Concept of Food Security and National Strategy regarding Agriculture

The NAFED's views on the concept of food security are:

- to ensure that every human being is free from hunger and malnutrition;
- to ensure stable food production in view of the growth of population;
- to ensure distribution and availability of food needs particularly in scarcity and remote areas of the country;
- to create purchasing power in every human being so that one can afford enough to purchase basic needs.

The national strategy envisages strengthening, protecting and sustaining the interest of the producers in farming as more than 50% food-grains production is still dependent on non-irrigation land and vagaries of nature. Essential factors of national strategy are:

- to expand irrigation potential. Lift and sprinkle irrigation to be subsidized;
- to expand credit supplies through cooperative and other banking institutions on soft loan basis. In distress conditions, loans to be written off to give relief to poor farmers;
- to extensively expand supply of inputs e.g., chemical fertilisers, improved seeds, pesticides, farm machines through village level cooperatives;
- to expand education, training and extension services to the advantage of farmers;
- to expand crop insurance on subsidized rates for standing crops and post-harvested crops;
- to expand post-harvest technology through supporting the cooperatives in creating appropriate infrastructure for sorting, grading, packaging, accelerated shipment of commodities, warehousing and cold stores; and
- to improve the working of regulated markets and equip them with warehousing/cold storage facilities.

The Government of India ensures remunerative prices to the farmers in a number of commodities under Price Support Schemes through State and cooperative agencies. Presently 22 commodities mainly food-grains, coarse grains, oilseeds, pulses, cotton, jute, tobacco and sugarcane are covered.

The Food Corporation of India, a Government of India agency, is responsible for food security. The NAFED does not play any active role in this sector, except, for onions.

Liberalisation and opening of the economy is expected to improve market availability of goods which could be a welcome feature for

the consumers in the short run. However, it creates a paradoxical situation as the farmers under subdued market situation lose motivation to increase production of commodities which could be imported under Open General Policy. It also adversely affects the agro-based Indian economy for attaining self-sufficiency. On one side, the Government is keen to improve the production of oilseeds and pulses, while on the other, the open door policy of imports and drastic reductions in the import duty tariffs has resulted into a virtual dumping various oils and pulses which has depressed the home prices and brought disadvantage to the farmers.

The policy of switch-on and switch-off does not facilitate continuity of exports which is necessary in the international trading scenario as the markets once lost are difficult to be revived again. There is a need for a well-thought out stable policy. The experience of canalising of exports of onion through

NAFED has been a good example, which can, as well, be followed for other commodities.

The multi-national companies, under the cover of globalisation and liberalisation, with their huge financial resources, linkages, established international trade contacts and professional approach, have also entered the Indian market. They have started encashing all possible opportunities in agricultural sector and a big challenge is now being faced by cooperatives, public sector and small and medium enterprises. Small-time traditional food processing companies/cooperatives are now faced with practical problems - to make huge investments for expansion of their existing facilities or to fold up.

Indian agriculture appears to be capable for producing food for others on selected commodities. Potentials and willingness exist.

03 Indonesia

The Republic of Indonesia has a total population of 193 million (60% on Java Island itself), land area 9.8 million sq km (land territory only 1.9 million sq km). Literacy rate 75-80%. Per capita income US\$ 980.

There are 35,861 cooperatives of all types (9,064 being the rural cooperatives/KUD, members 13 million) with a total membership of 25.6 million. Agricultural cooperatives are organised in a 3-tier structure. The multipurpose cooperatives (KUD) at the primary level which are federated into the provincial federations (Puskuds), and they being federated into the national federation of KUD - the INKUD. The KUD is characterised by its multipurpose business with the farmers, fishermen and handcrafts members. Most activities are anchored on agriculture. The main functions of KUD are: distribution of farm inputs and consumer goods, credit, collection, processing and marketing of farm produce. Their organisational strength has been weak, as they lack suitable infra-structure for marketing, storage and processing and other

value-adding activities.

The field study concentrated on the Union of Indonesia Dairy Cooperatives (GKSI) which was established in 1980.

Characteristics

- A secondary level autonomous cooperative organisation representing 84,863 dairy cow-breeders through 8 primary cooperatives and 194 dairy units of the KUD;
- It has three types of members e.g., full members, candidate members and pre-members;
- It is a democratically-managed cooperative;
- Board of Director is elected by the General Meeting once in five years;
- Operates within the existing Cooperative Law;
- Government has no financial stake in the GKSI, and has no control over the Board of Directors;
- GKSI, however, enjoys some protection from the government due to policies relating to dairy industry;
- GKSI is free to recruit its staff including the Managing Director as per decisions of the Board of Directors;
- It does not take government officials as its employees;
- It has no political affiliations;
- Its financial condition is good, borrows funds from financial institutions for its operations, and utilises financial support provided by external agencies;
- The GKSI has its own in-house training arrangements for its staff and it provides education, training and extension to dairy farmers and member-cooperatives.

The main objectives of the GKSI are to improve the living standards of the dairy-farmers, production, processing and marketing of dairy products together with the member-cooperatives, and in association with the private and public business enterprises. The Union is registered under the Cooperative Law, and operates as an autonomous organisation owned by the dairy-farmers.

The Union, although does not receive any subsidy or financial patronage from the government, does enjoy certain protection from the government due to the nature of the products it handles.

The working capital of the Union consists of the following:

22.16% from the members, 36.41% from the government (as loans and grants), 32.98% from the non-banking institutions and the remaining 8.45% is raised from other sources. If the government share is reduced or withdrawn the GKSI expects that the members will increase their commitments.

Views on the Concept of Food Security and National Strategies regarding Agriculture

Indonesia, in the recent past, has become a net importer of foodstuffs e.g., rice, corn, soybeans, wheat flour, fresh fruits and meat. As to ensure food security there are two policy choices e.g., first, achievement of self-sufficiency in domestic production, and second, realisation of food self-reliance. During the last two years, Indonesia's food production got some set back due to the climatic changes due to El Nino effects, and as a result of severe monetary crisis. The exchange rate crisis has resulted in more expensive import foodstuff and expensive inputs,

such as feed and feed raw material, seeds and pesticides. Livestock breeding happens to be worst hit.

To ensure food security, the following strategies, especially on free trade, have been suggested for adoption:

- i. Application of principles of transparency, fairness and reciprocity in free trade. The free trade has to be conducted consistently and applicable to every country with an appropriate monitoring mechanism;
- ii. Rescheduling of free trade application: A large number of farmer-producers have suffered due to monetary crisis. Therefore, the principle of fairness in free trade, maximum rescheduling in the application of free trade has to be made in order to give an opportunity for the country to improve its economic performance;
- iii. Need for safeguarding system against negative impacts of free trade: There is a need for the establishment of an adequate safeguarding system to prevent the bad impact from financial crisis e.g., exchange rates. This system needs to be on the agenda when discussing WTO agricultural trade agreements.

Cooperatives are expected to become a market countervailing power. In this process, they and other market players have to take note of the following:

- Ensure that the food security problem is an important problem which merits attention of all parties concerned;
- Obtain required policy and environmental support which is conducive to the realisation of food security;
- Create negotiating strength in trade and other activities on national, regional and international levels.

The GKSI is one example which tries to achieve horizontal and vertical linkages. The main effort is to improve the quality not only of the milk but also of the dairy-cattle, efficiency of dairy-related infrastructure and of dairy-farmers. Dairy-farmers, as individuals, cannot achieve this which may not ensure food security in milk sector. Dairy-farmers need the support not only of their own organisation but also of the available technology. A combination of efforts is thus needed - dairy-farmers as individuals, their collective bargaining power through their own organisation and the private milk processing industry. If there is an institutional gap there will be problems of securing the needed capital and other infrastructural facilities.

04 Malaysia

A country with a total population of 20.5 million, total land area 329,758 sq km, per capita income of US\$ 3,890, share of agricultural in GDP 14.8, main crops being rubber, oil palm, paddy, coconut, cocoa and tobacco besides tin mining and petroleum products. The total number of cooperatives of all types 4,077 with a total membership of 4.02 million. The objectives of national Agricultural Policy are:

- To achieve a balanced development between agriculture and the other sectors of the economy;
- To enhance the sector's economic/structural integration with the rest of the economy, in particular with the manufacturing sector;
- To achieve a higher level of expansion and development of food industry sub-sector;
- To achieve a wider and more effective representation and participation of the Bhumiputera community in modern and commercial agriculture, agribusiness and agricultural trade; and
- To ensure sustainable development in agriculture.

Agricultural cooperatives are involved in various activities e.g., credit disbursement, marketing, rice milling and processing activities and cooperative education activities. Agricultural cooperatives and other cooperatives function under different government agencies e.g., FOA, RISDA, FELCRA, FELDA etc. The Survey covered two institutions, both farmers' organisations, the National farmers' Association (NAFAS) and the Selangor State Farmers' Association (SSFA).

The main objectives of NAFAS are to improve social and economic status of farmers by enhancing their knowledge and skills, and increase production and income. These are sought to be achieved through various activities e.g., import and distribution of fertiliser, livestock, cattle-feed, farm implements and machines, marketing of agricultural produce, investments, work on behalf

of the government to process and distribute fertiliser to rice-growers, management of oil palm, cocoa estates, property development etc. The main activities of the SSFA include: raising and marketing of poultry items, distribution of fertiliser, servicing of farm machines and property development.

Characteristics

- Both are government-sponsored associations of Farmers' Organisations in accordance with the Farmers' Associations Act-1973;
- Both are covered by the Farmers' Organisation Authority, a government agency responsible for promotion of farmers' organisations and agricultural cooperatives;
- The organisations do not enjoy any monopoly though are recognised by the government as representing the interests of farmers;
- Membership to the organisations is voluntary;
- Democratic management with elected Board of Director once in two years;
- Are not exclusively financially dependent on the government. Capital is raised from among members, government or from the lending institutions;
- Both are intended to serve the members in the supply of farm inputs, farm machines, credit and marketing of members' produce;
- Both undertake property development activities;
- They do not have any political affiliations;
- NAFAS is free to recruit its officials as per the decisions of the Board of Directors, except for the Managing Director who is seconded by the FOA. The SSFA receives subsidy from the FOA in the form of personnel;
- They organise training and education of staff at FOA facilities. Institutions like the Cooperative College of Malaysia are also used to provide education and extension to farmers at the basic level and to the staff of Farmers' Organisations.

The financial condition of the two farmers' organisations has been sound. The SSFA has had some marketing problems during 1996 and 1997, but it appears to have solved them last year.

Views on the Concept of Food Security and National Strategy regarding Agriculture

The views of these two organisations are the same as of the

Farmers' Organisation Authority. Some of them are:

- Interests of farmers are secured through promotion and involvement of FOs in the financing and production of food crops, primary processing, handling and marketing. FOA finances the FOs in food production and marketing from out of government grants and also extends loans to FOs for their working capital requirements;
- Fair remuneration to the producers is partly achieved through the involvement of FOs in the marketing of their farm produce in competition with the market intermediaries. However, in the case of paddy, it does not work because the price support given to paddy has been given by the government to alleviate poverty among the paddy farmers;
- On food security, according to the FOA, the country's policy has to be that a minimum of 65% of the country's requirements has to be met from domestic production. It is imperative that Malaysia continues to have the ability to attain self-sufficiency in food in times of crisis either natural or political;
- The entry of multi-national companies in food business can be beneficial if their business practices do not undermine the food security policies of the country. Such companies can be source of investment funds and technology. FOs can also assist farmers to get better commodity prices if they are able to articulate their position;
- Producing food for export can benefit the farmers by getting better prices for their produce;
- As to the WTO agricultural agreement negotiations, food security issues of the country should be taken into consideration. If prices of food commodities fall as a result of cheaper imports, production of chicken, eggs, vegetables and fruits could be adversely affected making Malaysia more dependent on food imports. This will increase the vulnerability of the country to political, economic and military happenings. The Uruguay Round does not prevent an exporting country from imposing restrictions on its food imports;
- Developing countries should not neglect the importance of food production locally in their zest to achieve an industrialised status. Achieving self-sufficiency in staple foods such as rice, vegetables and meat/fish should be paramount in the government's national food policy.

05 The Philippines

The population of the Republic of the Philippines is 72 million (with an annual growth rate of 2.3%), number of households 13.5 million, total land area 300,000 sq km, and the per capita income

being US\$ 1,050. Main agricultural products include rice, maize, sugarcane, spices, rubber, coconut, coffee, tobacco, abacca and fruits & vegetables. 47% of the population is highly dependent on agriculture. The Cooperative Societies Act RA-6938 of 1990 has made the cooperatives free from the control of the government. There were 39,222 cooperatives of all types with a total membership of 5.59 million.

The Study covered six cooperative institutions at national, provincial and local levels. Most of the participating cooperatives started as small associations, with small capital, gradually becoming multi-million peso cooperative business enterprises. The main objectives of the covered cooperatives have been: credit for production activities, marketing of members' produce, transportation, land preparation, and distribution of consumer goods to members and others. The main activities were, among others: supply of production inputs, marketing, credit, savings mobilisation and supply of consumer goods.

Characteristics

- All are autonomous and voluntary cooperative institutions;
- Operating within the framework of the existing Cooperative Law;
- Democratically-controlled and managed institutions;
- Board of Directors elected by General Meetings for specified periods as per their respective bye-laws;
- No government intervention in business and management;
- Cooperatives are free to hire employees from the open market as per the decision of the Board of Directors;
- No secondment of employees of Board Members from the government;
- No political affiliations;
- Capital raised from own sources as well as from outside sources;
- Staff Training and member education arrangements are made on collaboration basis e.g., using own facilities, or through the Cooperative Union of the Philippines (CUP) or with the assistance of the National Confederation of Cooperatives (NATCCO).

Views on the Concept of Food Security and National Strategy regarding Agriculture

The following views were expressed by all the six institutions on food security issues and national strategy:

- Interests of farmer-producers can be secured if the cost of production is brought down through establishment of coop-owned fertiliser plants, seed banks and nurseries. High value crops be grown to earn higher incomes;
- Fair remuneration to farmers can be given if value-addition through agro-processing is implemented and speedy marketing is done;
- On long-term and short-term food export/import issues. The government to delay the WTO-imposed lifting of tariffs on importation of agricultural products to give the local farmers time to become competitive. The dumping of low-priced imported farm products will displace local farmers;
- Accelerate establishment of irrigation facilities, farm-to-market roads, and post-harvest facilities to make local farmers globally competitive;
- The entry of multi-national companies in food business will, no doubt, encourage local producers to improve quality and competitiveness, but the small farmers and agricultural cooperatives will collapse. The government has to provide sufficient cushions and safety nets to secure the interests of local farmers;
- To cushion the effects of WTO, government must insist that the reduction of tariffs on imports be done in phases with the development of the local production efficiency and competitiveness of local farmers;
- Local farmers and the country will suffer under the full implementation of the GATT/WTO, for instance, rice, corn and sugar can come in the country at prices below own farmers' production costs under WTO. The efforts of the Agricultural Modernisation Law which was passed by the Congress recently will be felt only after 4-5 years. If no exceptions are made for the Philippines by the WTO, the results can be disastrous to local farmers.

06 Sri Lanka

Total population 18.2 million, contribution of agriculture to GDP is 27%, average land holding is 1.35 ha. Per capita income US\$ 700. Total number of multipurpose cooperatives 300. Agriculture still occupies a predominant position employing 48% of the labour force. Main products of the country are paddy, coconut, tea, rubber, spices, roots, corn, fruits & vegetables. Tea, rubber and coconuts are large-scale plantations and are export crops.

The Cooperative Movement in Sri Lanka, established in 1906, covers almost all segments of economic activity. For each sector there is a national federation, and all the federations are affiliated to the National Cooperative Council of Sri Lanka, the national apex of the Movement. The Study covered one national

level federation - the Sri Lanka Cooperative Marketing Federation Limited (MARKFED-Sri Lanka), and three farmers' organisations at the primary level (Farmers' Organisations at Teledeniya, Galgedera and Wattegama).

The MARKFED was established in 1973. Presently it has a membership of 311 member-societies of different types, mainly multipurpose cooperatives. Although the Government is entitled to buy shares which it has never done, yet it nominates two members on the Board of Director, in addition to 9 who are elected by the General Assembly. The main objectives of the MARKFED are: to function as an apex organisation, assist members to implement their business activities including negotiations, procurement and marketing, and export and import of requirements of the members. The main activities of the MARKFED have been: assisting members to improve their consumer trade, agricultural and animal husbandry activities, small-scale industry, dairy farming, provision of farm machines, warehousing and transportation. It also offers consultancy services, publicity, carries out field studies and market research and also training of staff both of the Federation as well as of member-societies. Main activities of the Farmers' Organisations-FOs include training of farmers in fertiliser application, on reducing the cost of production and extending production loans.

Characteristics

- All are autonomous voluntary organisations;
- MARKFED works within the purview of the Cooperative Law and in accordance with its bye-laws;
- FOs have their own bye-laws and are registered with the Commissioner of Agrarian Services under the Agrarian Services Act;
- Board of Directors of MARKFED is elected for a period of three years by the General Meeting which ordinarily meets once a year;
- The MARKFED General Assembly elects two institutions - the Board and a Central Committee which represents all the member-societies;
- The Chairman of MARKFED is generally one of the two nominees of the government;
- There is no political affiliation;
- MARKFED employs its own staff including the General Manager in accordance with the decisions of the Board of Directors;
- There is no major or direct subsidy to the organisation by the government, except in the case of purchase and distribution of fertiliser when purchased through government loans;

All business decisions are taken by the Board;

Training of staff is done by the MARKFED partly by itself and partly through other institutions e.g., Sri Lanka Institute of Cooperative Management, School of Cooperation, and the NCC's education centres.

The financial condition of the MARKFED has not been stable mainly due to lack of initiative in marketing in the open market situation.

Farmers' Organisations (FOs) are village level organisations of small groups of farmers. The main purpose of these FOs is to get the farmers to work together as a group consisting of 50-100 members to find solutions to their many problems.

In addition, a concept of **Farmer Companies** has been floated. There are at present about 30 such companies. These companies were also known as Export Promotion Villages (EPVs), although many of them are non-functional at present.

Views on the Concept of Food Security and National Strategies for Agriculture

Some of the main components of the Agricultural Policy of the government have been: removal of institutional and policy obstacles which retard profitability; subsidized fertiliser distribution; increase farm production also through foreign collaboration; efforts to reduce tariffs and quantitative restrictions; tax holiday for introduction of advance technology; aim marketing of products to other countries to earn foreign exchange; ensuring stable exchange rate; and selective State interventions to ensure stable growth for the farmer.

Special focus on participation in regional groupings e.g., SAARC-SAPTA-SAFTA on agricultural matters. Ensure through corrective measures and policy decisions that there is no dumping of agricultural products in the country.

The general impression among many in developing countries is that the WTO is a power block with the leadership of the United States, European Union and G-8 Group. It is feared that the developed countries would withdraw the existing preferential treatment and would expect greater excess to developing countries. Many developing countries hoped that the WTO would provide them with greater security in their negotiations and disputes, but the developed countries often resorted to unilateral action to settle disputes, thus leaving the developing countries to fend for themselves.

Though exports are vital there is a need to safeguard some elements of import substitution as this helps employment, conserves foreign exchange and provides quite some stimulus to economic growth.

Unless some elements of State intervention is possible, a WTO-supported free market would hardly be of any assistance. Any efforts towards self-sufficiency and food security would mean that the government would have to play an effective role, and that mere dependence on the liberalised market will not help.

Though WTO works on the basis of consensus, it is very likely that the capacity of unequals to influence "consensus" will be very limited. In this context regional groups like SAARC would strengthen the hands of individual countries to face the challenges of globalisation and the dominating influence of WTO.

07 Thailand

The total land area of Thailand is 542,373 sq km with a population of 57 million. Literacy rate 89%, and the per capita income is around US\$ 1,420. Agriculture is the mainstay of 60% of Thailand population. Main farm products of the country are: rice, coconut, tobacco, cotton, fruits and vegetables.

The Cooperative Movement of Thailand has a history of more than 75 years. Out of a total of 3,370 cooperatives of all types representing a total membership of nearly 3.5 million there are over 1,600 agricultural cooperatives representing 1.2 million members. There are six types of cooperatives e.g., agricultural, land settlement, fishery, thrift & credit, consumer and service cooperatives.

The Study covered two cooperative institutions i.e., the Agricultural Cooperative Federation of Thailand Ltd., (ACFT) and the Dairy Cooperative Federation of Thailand Ltd., (DCFT).

The main objectives of the ACFT are to provide handling and marketing services to member-societies. The main activities of the ACFT are: selling agents of agricultural materials, farm machines, fertiliser; promotion of exports of agricultural products; and general services e.g., printing, document inspection etc. The ACFT has also established a joint-venture company with Japanese collaborators to produce high quality insecticides. The main objectives of the DCFT are to collect and process milk, produce and distribute cattle-feed, provide education and training to farmers to increase milk of higher quality. The main activities of the Federation have been: procurement of fresh milk and its processing, production and supply of cattle-feed and distribution of farm inputs to dairy farmer-members.

Characteristics

- Both are autonomous member-controlled cooperatives;
- Both registered under the Cooperative Societies Law;
- Both are federal in character, accepting no individual members;

- Boards of Directors are elected by the General Assembly for a term of two years;
- Employees and the General Managers are appointed by the Federations in accordance with the decisions of their Boards;
- No government officials are appointed in the Federations;
- Both of them do not have any political affiliations;
- There are no financial contributions from the Government;
- Financial condition of the two is good;
- Working capital is raised by Federations from internal and external sources;
- Both are business federations handling members' produce;
- Personnel are trained using training facilities of the Cooperative Promotion Department of the Government, the Cooperative League of Thailand, and of some Universities.

Views on the Concept of Food Security and National Strategies for Agriculture

In recent times, agriculture has lost much of its vigour because of high rate of investments in and expansion of non-farm/industrial sector. However, agriculture still retains its vital role in ensuring national food security, as well as being the source of labour to facilitate growth of the non-farm sectors, particularly the agro-industry. It is necessary that organisations like the ACFT and DCFT, through their business activities, should increase the bargaining power of the farmer-members. The views of the two organisations on food security and the strategies envisaged by them are as follows:

- Thailand can continue exporting rice, tapioca, sugar, shrimps, chicken and canned food for some more time to come. Due to its high quality and acceptability, the Thai Rice is in great demand in neighbouring countries like Singapore, Malaysia, Hang Kong, China and Taiwan.
- Entry of multi-national companies in food business is not recommended for the time being;
- Production of food for others is possible provided there are contract buyers and joint venture initiatives;
- Doubts have been expressed on the relevance and effectiveness of WTO Agricultural Agreements. If these are achieved with the satisfaction of respective governments, developing countries might get some advantages e.g., transfer of technology, professionalism and international trade. Unequal agreements will certainly result into

dumping of cheap products from other countries which will be against the interests of local farmers. If the high production and export levels of Thai Rice are achieved through such agreements, the basic farmers will be in a good position;

It might have some small damage on the production and the export of tapioca and shrimps.

*"Food security is caused by poverty, or the lack of entitlements to grow or buy enough food. This does not mean, however, that all poor people are food insecure, nor that food insecurity can always be solved through an increase in purchasing power."
(Source: DEEP FAO 9/1995)*

Main Conclusions

The World Trade Organisation (WTO) provides a permanent forum for consolidation and negotiation on an ever-broadening agenda affecting global trade and investment in goods and services. The stakes in international trade are high. It has been estimated that by 2000 world trade in merchandise goods and commercial services will exceed US\$8 trillion - or \$2 trillion more than in 1995. By then the WTO may have more than 130 member-countries, accounting for about 95% of the world trade.

From the foregoing summation of detailed reports and the views expressed by the covered organisations and experts, the following main points have emerged:

- 01 Cooperative institutions and farmers' organisations have been deeply involved in the chain of food production, its processing and marketing, and their activities relating directly to the consumers as well as the producers;
- 02 The means of production, quality of farm inputs, quantum of farm credit, provision of education, training and extension, have not only been traditional but also grossly inadequate and antiquated;
- 03 The level of farm technology in crop protection (through crop insurance, farm extension etc.) and post-harvest (through application of appropriate technology etc.) needs extensive improvement to be self-sufficient in food production;
- 04 Although the governments have promoted a variety of farmers' organisations [cooperatives, farmers' organisations, farmer companies] their continuity of existence and sense of purpose has not been sustained enough. Such institutions are the closest to the farmer-producers and can play an important role in growing more food for the people. Instead, they appear to have been used for achieving short-term political advantages (loan waivers etc.);
- 05 There is a virtual absence of 'agro-processing for value addition' in the agricultural cooperative sector, which invariably has attracted private enterprises of all types (national and multi-national) to enter the food processing sector;
- 06 Almost all respondents were unanimous on the following points:
 - 6.1 Establishment of infrastructure for enhanced food production has to be done by the government. Farmers, as individuals or their respective organisations, do not have the required capability and capacity. This infrastructure includes: farm roads, irrigation, grading, warehousing, shipment, electricity etc. Joint ventures are, however, a good possibility;

- 6.2 With the opening of the market, as a part of WTO agricultural agreements, local farm production and local farmers would suffer if adequate safety-nets are not installed. In the absence of such safeguards, the developing countries might consequently turn into dumping grounds for the surplus products of developed countries at cheaper prices resulting into the collapse of domestic farming structures and farmers suffering losses;
- 6.3 In order to effectively participate in the "consensus" exercise, farmers of developing countries need adequate and realistic empowerment through effectiveness and efficiency of their own organisations duly supported by the respective governments. There cannot be any 'consensus' among the unequal;
- 6.4 For developing countries in the Asian Region international agricultural trade agreements are not on a priority agenda. Increase in domestic agricultural production to cater to the home requirements, its processing and marketing within the Region is more important to sustain the interest of farmers in agriculture and to avoid possible social and political conflicts;
- 6.5 Farmers' organisations should have greater access to farm input supplies in sufficient quantities and at reasonable prices (e.g., fertilisers, farm chemicals, improved seeds) through their local increased manufacture/production. A certain amount of subsidies are essential (developed countries also give incentives, concessions and provide subsidies to their farmers).
- 07 Food security cannot be ensured through imports alone. Self-sufficiency in domestic production is a security for itself. There is an urgent need for the international organisations e.g., the WTO and the FAO, and the national governments to earnestly review the implications of free trade in agricultural products and incorporate necessary changes to the advantage of food-importing and developing countries.
- 08 The Region has a positive potential to produce food for others provided there are firm requests and agreements which are transparent, just and fair. Such arrangements should improve local technology, expand agricultural research opportunities, farm extension and develop professionalism in agriculture.
- 09 There is a strong need to initiate an intimate and sustained dialogue between the respective governments and a variety of farmers' organisations on one hand, and among the farmers' organisations themselves on the other, to discuss and understand the implications of WTO agricultural trade negotiations with a view to overcome the anticipated problems which might arise out of such negotiations.
- 10 Countries which are prone to food deficiency either due to shortage of land but having farm experience and advanced farm

technology (e.g., Japan and Korea), increased population or other reasons should discuss food security issues with other countries in the Region (e.g., India, the Philippines, Thailand and Sri Lanka) which have potentials to increase food production.

"A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise...Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others".

PART - II
DETAILED COUNTRY REPORTS

NGO FOOD SECURITY TREATY

Food security is having the means as an individual, family, community, region or country adequately to meet nutritional needs on a daily and annual basis. It includes freedom both from famine and chronic malnutrition. Food security is best assured when food is locally produced, processed, stored and distributed, and is available on a continuous basis regardless of climatic and other variations.

The world food insecurity problem is a result of an undemocratic and inequitable distribution of and access to resources (such as land, credit, information and incentive), rather than a problem of global food production. As a result, there is a concentration of production in certain regions and in the hands of fewer and fewer intensive producers, to the detriment of other regions, small scale farmers and local food security.

Food security is a basic human right. Every person must be assured access to safe, high quality food. To ensure the right of people to food themselves, food security must be based, to the extent possible, on local self-reliance." -Treaty Adopted on June 11 1992. (Source: DEEP FAO. 9/95)

Part - II

01 BANGLADESH

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1. Introduction

Globally food security means each of the human being of the universe have sustainable access to the food they need for active and healthy lives. Nationally it means that all citizens of a country have physical and economic access to the food they need, either from the market or from their own production or from the public food distribution system. At the household level, it is the ability of the households to secure enough food to ensure adequate dietary intakes for all of its members at all times (Dasgupta, 1994:9). Therefore, according to the above conceptions, continuous supply of required quantity of food in the market is the necessary condition and ensuring sustainable increase of income of the poor to buy their required food is another condition for ensuring sustainable food security. Poverty is a state of human being where the victims of poverty are economically unable to afford minimum consumption bundle which is necessary for recommended daily calorie intake for their active and healthy lives. Therefore, poverty and food insecurity are synonymous and inseparable. In other words poverty is the core cause of food insecurity.

After the independence of Bangladesh in 1971, hundreds of Non-governmental Organisations (NGOs) are trying to alleviate poverty/food security of the people of Bangladesh in various ways. In spite of all those efforts still about half of the villagers of Bangladesh are poor/food insecure. The main causes of such poverty are landlessness, illiteracy, dependence only upon wage labour, decreasing real wage, unemployment, underemployment, large family size, weak health, natural disaster, exploitation by the power structure, urban bias development, etc. (Aslam, 1996:37-38).

The Cooperative Movement is the pioneer in addressing poverty/food insecurity in the name of economic development in this sub-continent. Agricultural Cooperatives of Bangladesh have passed a long way. They have both successes as well as failures in different areas. Yet, the Constitution of Bangladesh recognised the cooperative sector to be a separate sector of the economy along with the private sector and the public sector. Nevertheless, there is a great deal to learn from the experiences of the other countries of the Asia and the Pacific region for ensuring food security through cooperatives. It is true that the issue of food security requires an honest look into inter-dependencies within the Asia-Pacific region especially at the time when World Trade Organisation (WTO) will start negotiating agricultural agreement by the end of 1999. In the context of above paradigm this study is an attempt to collect required

information for enhancing future collaboration with like-minded farmers/cooperative organisations in the region.

2. Objectives of the study

The objectives of the Study are: i) To furnish brief statistics of the cooperative sector of Bangladesh; and ii) to analyze relevant information about the organisational structure, business activities, policy direction and strategies surrounding food security and relationship with the government of two major national farmers' organisations : (a) Bangladesh Jatiya Pally Unnayan Samabaya Federation (National Cooperative Federation for Rural Development); and (b) Bangladesh Samabaya (Cooperative) Marketing Society Ltd.

3. Methodology of the Study

This study was conducted by a rapid survey in 10 days (22-31 May, 1998). The researcher himself visited the concerned offices and collected data and information from the chief executives of Bangladesh Jatiya Pally Unnayan Samabaya Federation (Bangladesh National Cooperative Federation for Rural Development) and Bangladesh Samabaya Marketing Society Ltd. (Bangladesh Cooperative Marketing Society Ltd.). The researcher interviewed the respective chief executives of the two organisations through a pre-structured questionnaire. He studied the bye-laws and annual reports of the two national level organisations and relevant literature for the collection of data and information. In fact this study reviewed the cooperative sector very briefly and furnished two case studies on the two organisations as mentioned above.

4. The Cooperative Sector of Bangladesh in Brief: Bangladesh is a country of 85,650 villages in an area of 143,000 sq.km. with a population of 111.4 millions of which 80 per cent live in rural areas. It follows mixed economy under democratic system of government headed by a Prime Minister who is accountable to the Parliament. Per capita income of the people of Bangladesh is US\$ 240 (GOB, 1997: III-1) and the literacy rate of the people aged 7 years and above is 32.4 per cent (BBS, 1996: 3). There are 20 national, 1,109 central and 139,562 primary cooperative societies in the country having 7.42 millions individual members (GOB, 1996:1).

Cooperators of Bangladesh have mobilised a total wealth of US\$ 270.52 million in which US\$ 68.83 millions, US\$ 166.39 million and US\$ 35.30 millions have been used in physical asset building, income-generating investment and formation of deposit at banks respectively. This sector has generated a significant number of self-employment and wage-employment for 2.15 millions persons of which 53,578 are the officials of the cooperatives and 100,771 are employed in various programmes operated under cooperatives (ibid).

Some basic statistics of the cooperative sector of Bangladesh is furnished in Table-1.

Table-1: Cooperative Sector in Bangladesh. December 1996

Categories of Cooperatives	National level	Central level	Primary level	Total
No. of Cooperatives	20	1,109	139,562	140,691
Members (million)	--	--	7.42	7.42
Share Capital (\$m)	1.72	11.88	20.24	--
Deposits (\$m)	0.68	21.87	38.24	--
Reserves (\$m)	12.59	9.29	4.97	--

Source: *GOB's Quarterly Statistics of the Cooperative Sector, Directorate of Cooperatives, Dhaka. December 1996*

Note : US\$ = Bangladesh Taka 45.90

According to the above table, primary societies of Bangladesh have on average 53 members in each, and each of the central societies have on average 126 member-primaries. Resource mobilisation per national society is US\$ 0.74 million, per central society is US\$ 38824.60 and per primary society is US\$ 454.70 through share, savings and reserve fund programmes under the cooperatives. Names, numbers and memberships of occupation specific primary cooperative societies are given in Table-2.

Agricultural cooperatives, the main area of this paper, came into being in Bangladesh quite a long time ago, when the peasantry of the country was overburdened by the debt of extremely high rate of interest from the money-lenders. To rescue the farmers from the crushing burden of debt, the then government of British-India enacted the Agricultural Loans Act and the Land Improvement Loans Act in the 19th century. Inadequacy of these distress loans led to the formation of cooperative credit societies. The Bengal Coop Credit Societies' Act was passed in March, 1904. Village level cooperative societies and central cooperative banks at district and sub-district levels were established under this Act.

In the early thirties Money Lenders' Act, Agricultural Debtors' Act and a reformed Cooperative Societies' Act were passed to strengthen the Cooperative Movement. Land Mortgage Banks were established under the auspices of the reformed cooperative societies Act to provide loans to the peasants and rescue them from the grip of the money lenders. In the late thirties many Debt Settlement Boards were formed in the rural areas. The village-based cooperative societies were replaced by Union Level.

Multi-purpose Cooperative Societies (UMPCS) starting from 1949 where, Union is the lowest tier of the local government. By 1961 around 4,000 UMPCSs were established in the country where, a

Table-2: Occupation-Based Major Cooperatives,
Their Numbers and Membership in 1996

Types of Primary Cooperatives	Number of Primary Cooperatives	Membership of Primary Cooperatives
Agricultural/Farmers Coops	75,096	3,043,001
Rickshaw-Pullers' Coops	430	36,458
Auto-Rickshaw Drivers' Coops	357	41,360
Auto-Tempoo Drivers' Coops	111	20,000
Weavers' Cooperatives	1,738	338,540
Milk Producers' Cooperatives	259	33,008
Women's Cooperatives	706	34,657
Fishermen's Cooperatives	3,358	374,223
Housing Cooperatives	122	29,025
Cooperative Bazaar Complex	96	44,913
Credit Cooperatives	99	961

Source: GOB's Quarterly Statistics of the Cooperative Sector, Directorate of Cooperatives, Dhaka. December 1996

union comprises of approximately 20 villages. But the number of UMPCSSs came down to a minimum by the early 1970s because of their unsatisfactory performances.

Through action research, the Bangladesh Academy for Rural Development (BARD), Comilla developed a two-tier agricultural cooperative model, comprising of primary societies at the village level (Farmers Cooperative) and their association at the Thana (sub-district) level called Thana Central Cooperative Association (TCCA). Thana is the lowest administrative unit in Bangladesh. The government replicated this two-tier cooperative model throughout the country under the auspices of the IRDP (the Integrated Rural Development Programme) starting from 1972. The contribution of the two-tier cooperative model under IRDP which was later designated as Bangladesh Rural Development Board (BRDB) in bringing about the significantly positive change in agricultural production, is not deniable. Thus the agricultural cooperatives of Bangladesh have passed a long way. They have experiences of success and failures in conducting their activities. Cooperators of Bangladesh have a great deal to learn from the experiences of the cooperatives of the other countries of the Asia-Pacific Region and from the member-countries of the International Cooperative Alliance (ICA).

In the following part of this paper, case studies on one national level farmers' organisation and one national level marketing society are furnished to help specific understanding of the readers about the role of cooperative sector of Bangladesh in addressing food security and agricultural development.

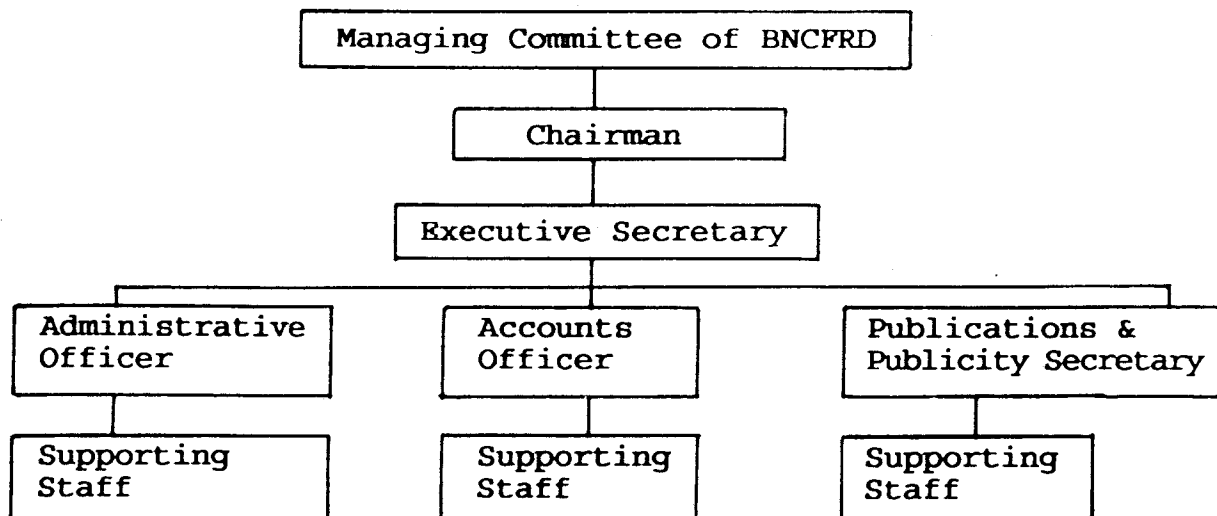
5. Bangladesh Jatiya Pally Unnayan Samabaya Federation:
(The Bangladesh National Cooperative Federation for Rural
Development) - A Case Study

5.1 Brief Historical Background of the Organisation: Two-tier cooperative system was developed by the Bangladesh Academy for Rural Development (BARD), Comilla in 1960s. It was replicated throughout the country in 1972 by the Bangladesh Rural Development Board (BRDB). The two-tiers are farmers' primary cooperative society (KSS) at the village level and the association of KSSs at the Thana level attributing the name as Thana Central Cooperative Association (TCCA). But in 1973 cooperative leaders of the TCCAs realised that a Federation of the TCCAs at the national level is necessary to help solving of various problems of the TCCAs and to take care of the interest of the two-tier cooperative system.

With the support of the then government, Bangladesh National Cooperative Federation for Rural Development (BNCFRD) was established in 1973. The head office of the BNCFRD is at 22 Dilkusha Commercial Area, Dhaka-1000.

Only the TCCAs are eligible to be the members of BNCFRD. Out of the total of 452 TCCAs of the country, 441 have become members of the BNCFRD by 1996.

5.2 Management System of the Organisation: An elected Managing Committee (MC) of 12 members is responsible for the management of the BNCFRD. The MC is elected for a term of 3 years. Out of 12 members of the MC, one is the Chairman, another one is the Vice-Chairman, and the rest 10 are called Directors. The BNCFRD is managed under cooperative rules. There were 12 officers and staff at different levels to support the work of the BNCFRD in 1996. The MC organises general meetings and annual general meeting at least once in every two months, special general meetings for discussion of issues, decision making and managerial guidance. The highest authority about any issue is to be presented at the general meeting. The organisational structure of the BNCFRD is given below:



The BNCFRD is not a business-oriented organisation, rather it is a promotional organisation. It is being operated on the basis of no profit and no loss. Therefore, working capital, share, profit, loss, subsidy, etc. are not relevant to it. BNCFRD receives an annual grant of US\$ 10,893.24 from the government through BRDB and an annual subscription of US\$ 43.95 per TCCA (members) to meet the management cost of the organisation.

5.3 Main Objectives of the BNCFRD

The main objectives of the Organisation are as follows:

- a. to maintain liaison with the BRDB and various ministries and nation-building departments and also work with them for the development of the country and also for the interest of the cooperators;
- b. to hold discussions with various national and international organisations and to cooperate with them for initiating projects for the interest of the Cooperative Movement; and
- c. to arrange training at home and abroad for the development of skill of the cooperators in order to ensure a successful and mass-participated Cooperative Movement through mutual understanding and cooperation.

5.4 Major Activities of the Organisation

Major activities of the BNCFRD are as follows:

- a. BNCFRD is exerting its sincerest efforts in order to ensure every possible service and assistance to mitigate necessities/problems of the member-TCCAs;
- b. BNCFRD is arranging seminars, conferences, educational excursions and orientation programmes in order to create and foster cooperative leadership;
- c. BNCFRD is operating an adult literacy programme for the women of six TCCA areas;
- d. BNCFRD is publishing a fortnightly paper named "AZKER SAMABAY" (Today's Cooperatives) which incorporates educational information, features, articles and other information about cooperatives since its inception. It has a circulation of 10,000 copies in each issue.

5.5 Legal Status of the BNCFRD: BNCFRD was not created by the government by an act of the Parliament. It grew out of the provisions of cooperative law by the initiative of cooperative leaders. It is not a so-called NGO.

5.6 Relationship on Activities: Activities of BNCFRD are not carried out on the initiative of the government. These are carried out on the basis of decisions and initiatives of members' meeting. Initiatives have concern on the market situation. Major

obstacles in carrying out the activities are as follows:

- a) limitations of the cooperative law; b) lack of sincerity of some government officials and cooperative leaders; and
- c) lack of fund.

BNCFRD and the government are mutually interdependent for the betterment of the Cooperative Movement. But it has the financial dependency on the government for US\$ 10,893.24 as grant per year which is not sufficient for annual expenses of BNCFRD. For this reason leaders of BNCFRD are bargaining with the government to raise the yearly grant up to US\$ 26,143.79.

5.7 Human Relationship: The BNCFRD is free to select and appoint all its personnel including its chief executive officer. But, if necessary, BNCFRD can ask for personnel from government on secondment basis. The managing committee/board of BNCFRD is not nominated by an external agency. Rather, it is democratically elected from among the members. BNCFRD makes use of other institutions for its staff training.

5.8 Financial Position: Yearly subscription of US\$ 43.57 per member-TCCA and yearly grant of US\$ 10,893.24 from the government are the two major sources of funding of the BNCFRD. BNCFRD does not borrow from the money market. It encountered two problems in raising needed fund namely, (a) irregularity of payment of subscription by the TCCAs; and (b) inadequacy of grant from government. If the member-TCCAs subscribe regularly, withdrawal of government's annual grant will have no significant impact on the activities of the BNCFRD.

5.9 Political Relationships: The BNCFRD does not receive any political patronage from any political party. To conduct election for forming its managing committee (MC), Registrar of Cooperatives appoints an election committee under the existing cooperative rules. MC is elected for three years by direct votes of the chairman of the member TCCAs. The BNCFRD or its main objective does not figure in any of the political manifestos.

5.10 BNCFRD's National Strategy Regarding Agriculture and Food Security

The strategies are as follows: a) to help ensure timely supply of quality and adequate agricultural inputs, e.g. High yielding variety seeds (HYV), insecticides, fertilizers, farm implements, etc; b) to help the development of storing and processing facilities of agricultural commodities; c) to help the procurement of crops by the government/cooperatives during peak time of harvesting at fair prices; and d) to help disposal of stored and processed agricultural commodities at a point of favourable time in the year to ensure fair prices.

To ensure fair remunerations of the producers, marketing of products may be done through cooperatives. Outstanding producers may have provided with presentations to encourage productivity. Food security issues of the country may be addressed properly

through strengthening the activities of the cooperatives at the grassroots level. More income-generating programmes should be added for the poorer sections. Farmer-producers should be supported by adequate supply of quality inputs, implements, appropriate post-harvest technology, better marketing facilities, fair prices, etc.

6. Bangladesh Samabaya (Cooperative) Marketing Society Ltd.: **- A Case Study**

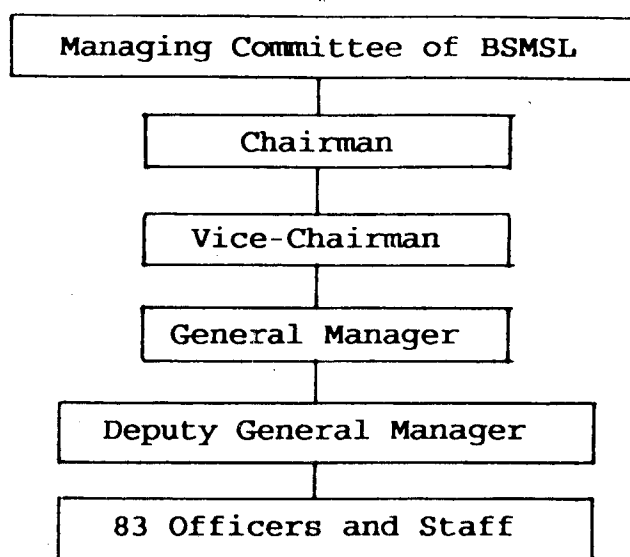
6.1 Brief Historical Background of the Organisation: Up to 1961 the cooperatives were confined to production and service sectors. There was no organised effort by any agency before 1961 for gainful marketing of agricultural products of the country. Only the Department of Food used to procure food crops according to the need of the government from the farmer-producers. In such a situation cooperative leaders of the central societies felt the necessity of forming a national level cooperative marketing society for gainful marketing of agricultural commodities. Where, central societies are the associations of some primary cooperative societies formed within the territory of Bangladesh. On the basis of that felt need, Bangladesh Samabaya (Cooperative) Marketing Society Ltd (BSMSL) was established by the cooperators in 1961. The head office of BSMSL is at 9/D Motijheel Commercial Area, Samabaya Sadan (5th floor), Dhaka-1000. Only those central societies which are involved in agricultural marketing or agricultural processing or agricultural inputs trading or consumer goods trading are eligible to be the members of BSMSL. By 1996, 158 central societies have been enrolled as the members of BSMSL.

6.2 Management System of BSMSL: An elected Managing Committee (MC) of 12 members is responsible for the management of BSMSL. The MC is elected for a term of 3 years. Out of the 12 members of the MC, one is the chairman, another one is the Vice-Chairman and the rest 10 are members. Chairman, Vice-Chairman, and 6 members are elected directly by the leaders of the central societies. The rest 4 are members are to be nominated by the government.

There are 83 officers and staff at different levels to support the work of BSMSL at present.

The MC committees organises general meetings at least once in every two months, special general meetings and annual general meeting for discussions of issues, decision-making, and managerial guidance. The highest authority about any issue has been attributed on the general meeting.

The organisational structure of the BSMSL is given below:



The BSMSL is a business-oriented organisation having concerns with profit and loss. Total working capital of the organisation is US\$.957 millions in 1996. The government owns 98% share and the rest 2% owned by the member-societies of this organisation. Member-societies have the share of US\$ 1,320.26, but the government owns the share of US\$ 94,989.10 of this organisation. The BSMSL has been incurring a cumulative loss of US\$ 7,225.91 since its inception in 1961. The organisation did not receive any subsidy from any agency/government since its inception.

6.3 Main Objectives of the BSMSL: The main objectives of the organisation are as follows: a) Development of cooperative credit system and agricultural marketing infrastructure for gainful production and marketing of agriculture commodities; and b) development of consumer cooperatives for ensuring steady supplies and reasonable prices of consumers' goods and producers' agricultural inputs.

6.4 Major Activities of BSMSL: At present, the organisation is operating its activities in three major areas, viz cold storage, rice processing and consumers store. It is operating five cold stores for the preservation of perishable agricultural commodities (only potato) in different areas within the territory of Bangladesh. It is operating its four rice mills in different districts of the northern part of Bangladesh as the rice processing units. The BSMSL is operating a consumer goods marketing shop in Dhaka City.

6.5 Legal Status of the BSMSL: By the initiatives of the cooperative leaders the organisation was established under the Bengal Cooperative Society Act 21, 1940. It was registered on 22nd February, 1961 with the registration number 2 at the office of the Registrar Cooperatives, Dhaka. Therefore, it is being operated under the existing cooperative law of the country. It does not enjoy any monopoly on any item. It is not a so-called NGO.

6.6 Relationship on Activities: Activities of BSMSL are not carried out on the initiative of the government. These are carried out on the basis of decisions and initiatives of members' meeting. Initiatives have proper concern on the market situation. Major obstacles in carrying out activities of BSMSL are as follows:

- a. Limitations of the cooperative law;
- b. Scarcity of working capital;
- c. Lack of sincerity in few government officials and cooperative leaders;
- d. Over employment; and
- e. Lack of properly trained manpower.

BSMSL has 98% financial dependency on the government, which amounts to US\$ 94,989.10. But this amount is not sufficient for the sound operation of the organisation.

6.7 Human Relationship: The BSMSL is free to select and appoint its personnel including its Chief Executive Officer. But if necessary government can send suitable personnel on deputation to the organisation. Four members of the Managing Committee/Board are nominated by the government and the rest 8 are elected democratically from among the members. BSMSL makes use of other institutions for its staff training.

6.8 Financial Position: Government's share of US\$ 94,989.10 (98%) and member-societies' share of US\$ 1,320.26 (2%) are the initial sources of capital of the organisation. In 1996, BSMSL had the total working capital of US\$ 0.957 millions. The organisation did not borrow from the money market. Member-societies do not have capability to purchase more shares. There is no government grant or subsidy to this organisation. Retiring governments share from the BSMSL will have significant affect on the activities of the BSMSL.

6.9 Political Relationships: The BSMSL does not receive any political patronage from any political party. To conduct election for forming its Managing Committee (MC), Registrar of Cooperatives appoints an election committee under the existing cooperative rules. MC is elected for a term of 3 years by direct votes of the Chairmen of the members societies. The BSMSL on its main objective does not figure in any of the political manifestos.

6.10 BSMSL's National Strategy Regarding Agriculture and Food Security

The strategies are as follows:

- a. to help development of storing and processing facilities of agricultural commodities;
- b. to help procurement of crops by the government/cooperatives during peak time of harvesting at fair prices; and

- c. to help disposal of stored and processed agricultural commodities at a point of favourable time in the year to ensure fair prices.

Marketing of products may be done through cooperatives to ensure fair remuneration of the producers. Outstanding producers may be given presentations to encourage productivity. Food security issues of the country may be addressed properly through strengthening the activities of the cooperatives at the grassroots level. More programmes for the generation of income should be added for the poorer sections.

Farmer-producers should be supported by adequate supply of quality inputs, implements, appropriate post-harvest technology, better marketing facilities, fair prices, etc.

7. Views of the BNCFRD and BSMSL on Globalisation of Food Production and Marketing: Globalisation of food production and marketing will improve investment, technology, employment, production, marketing, income etc. in the agricultural sector of Bangladesh. Therefore, export-oriented agricultural production system may get proper attention. Bangladesh may produce and export the surplus of those food items in which she has comparative advantage in production vis-a-vis she can import only those food items in which she does not have comparative advantage in production. Marketing may be done through the cooperatives of the producers. Producers' interest should be taken care of in all the operations of agricultural production and marketing process.

Entry of a few selected multinational companies in food business may be allowed to only specific items in a controlled way after ensuring the possible interests of the domestic producers, processors and traders.

Market-oriented production system produces those food items for others in which the producers have comparative advantage in the production than others.

8. Views and Stances to WTO's Agricultural Negotiations which are likely to commence in 1999: We welcome the agricultural agreement negotiations for globalisation of the agricultural production and marketing process. It is the necessity of the world today. But top priorities should be attributed on the development of domestic agriculture and farmer producers' interest. Agricultural production and marketing should be opened for outsiders very slowly. Agreements should be signed on export and import of selected agricultural commodities among selected countries through meaningful negotiations to protect the interest of the farmers, agriculture and the country.

In case WTO's Agricultural Agreement Negotiations succeed traditional farm technology and unskilled farm management system may be replaced by appropriate farm technology and skilled farm management gradually. Positive changes in technology, investment, employment, production and income in the agriculture is expected. Multinational companies may introduce modern technology in all

the operations of agriculture. Subsistence agriculture may turn to export oriented commercial agriculture gradually. Unskilled farmers and labourers may get out of the agricultural practices to some extent. Capitalistic production system in agriculture may accelerate more inequality in the distribution of agricultural income.

9. **Concluding Remarks:** It is very clear from the analysis of this paper that since the inception of Cooperative Movement in Bangladesh most of the cooperative efforts were on how to increase the production in agriculture. Significant success has come in agricultural production. But, the issue of marketing got less priority, where development of production and marketing are mutually supportive in the process of development. That is why we could not use the full potential of the agricultural sector of Bangladesh. Globalisation of agriculture of Bangladesh is at the infant stage. The sector does not have proper concern about food security and ensuing Agricultural Agreement Negotiations under WTO. The Movement is restricted by some limitations in the cooperative law. Some leaders have implicit tendency to abuse the cooperatives. There is lack of government commitment for strengthening the Cooperative Movement.

For the development of the cooperative sector, political commitment and bureaucratic support both are very necessary. Cooperators should be made aware about the benefits of internationalisation of agriculture and its influences on the grassroots level. Cooperatives should give more emphasis on food security factors in their activities.

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[B] Glossary

AZEKER SAMABAY: Today's Cooperatives
BBS: Bangladesh Bureau of Statistics
BARD: Bangladesh Academy for Rural Development
BRDB: Bangladesh Rural Development Board
BNCFRD: Bangladesh National Coop Federation for Rural Development
BSMSL: Bangladesh Samabaya (Cooperative) Marketing Society Ltd.
GOB: Government of Bangladesh
HYV: High-Yielding Variety
IRDP: Integrated Rural Development Programme
ICA: International Cooperative Alliance
KSS: Krishak Samabaya Samity (Farmers' Cooperative Society)
MC: Managing Committee
NGO: Non-Government Organisation
Thana: Lowest Administrative Unit in Bangladesh
TCCA: Thana Central Cooperative Association
Union: Second lowest tier of the local government in Bangladesh, area of operation of which comprises of about 20 villages.
UMPCS: Union Multi-Purpose Cooperative Society Ltd
WTO: World Trade Organisation

"...The right to food means the right to productive resources for sustainable livelihoods and the right to feed oneself. It entails: the sustainable care and use of natural resources, especially the land, water and genetic resources used for food production; security of tenure and rights of access to productive resources, healthy soils and aquatic ecosystems, and the reduced use of agro-chemicals; reduced militarisation of rural areas and food supplies and the decentralisation of control of the food system from governments and multinational corporations to local people and communities; increased recognition of local knowledge systems which have developed the agricultural, livestock, fisheries and local food gathering practices that feed the world." -Sustainable Agriculture Caucus-UK (Source: DEEP FAO. 12/97)

02 INDIA

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1. Organisation

1.1 Name and full address of the Organisation:

National Agricultural Cooperative
Marketing Federation of India Ltd., (NAFED-India)
NAFED House, Sidhartha Enclave,
Ashram Chowk, Ring Road, New Delhi 110014

1.2 Year of Establishment: 1958

1.3 Brief historical background of the Organisation: The 3rd National Farmers' Convention convened by Bharat Krishak Samaj (Farmers' Forum in India) at New Delhi in 1956 passed a resolution suggesting that a National Level Federation of various State Cooperative Marketing Federations should be formed for the development of cooperative marketing in India. The National Cooperative Development and Warehousing Board also supported the setting up of such an organisation. The bye-laws of the Organisation were discussed and approved in the seminar on agricultural marketing held in Lucknow during 1958. Accordingly, the NAFED was registered on 2nd October 1958, the auspicious birthday of Mahatma Gandhi - the Father of the Nation.

1.4 Number of current (1996 December) individual members or affiliates.

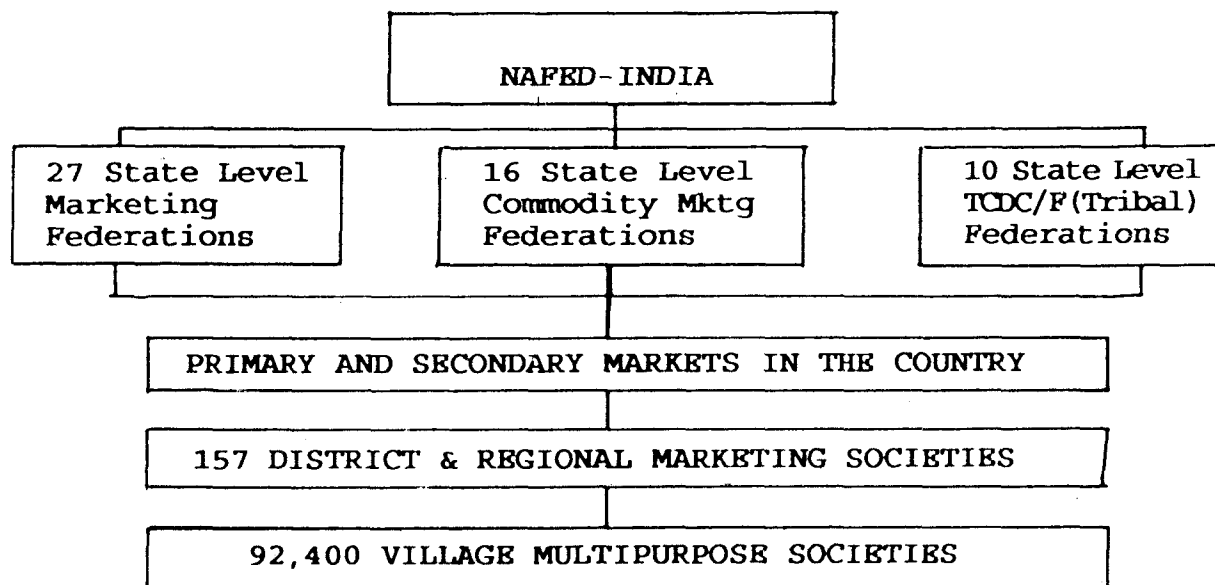
- Individual Members: Nil
- State Coop Federations: 24, Primary Marketing Coops: 468

1.5 Type of Membership: The Membership of NAFED comprises National Level Coop Federations, States and Union Territories level, Coop Marketing Federations, Tribal and Commodity Federations, Primary Marketing and Processing Societies, National Coop Development Corporation (NCDC) and Government of India.

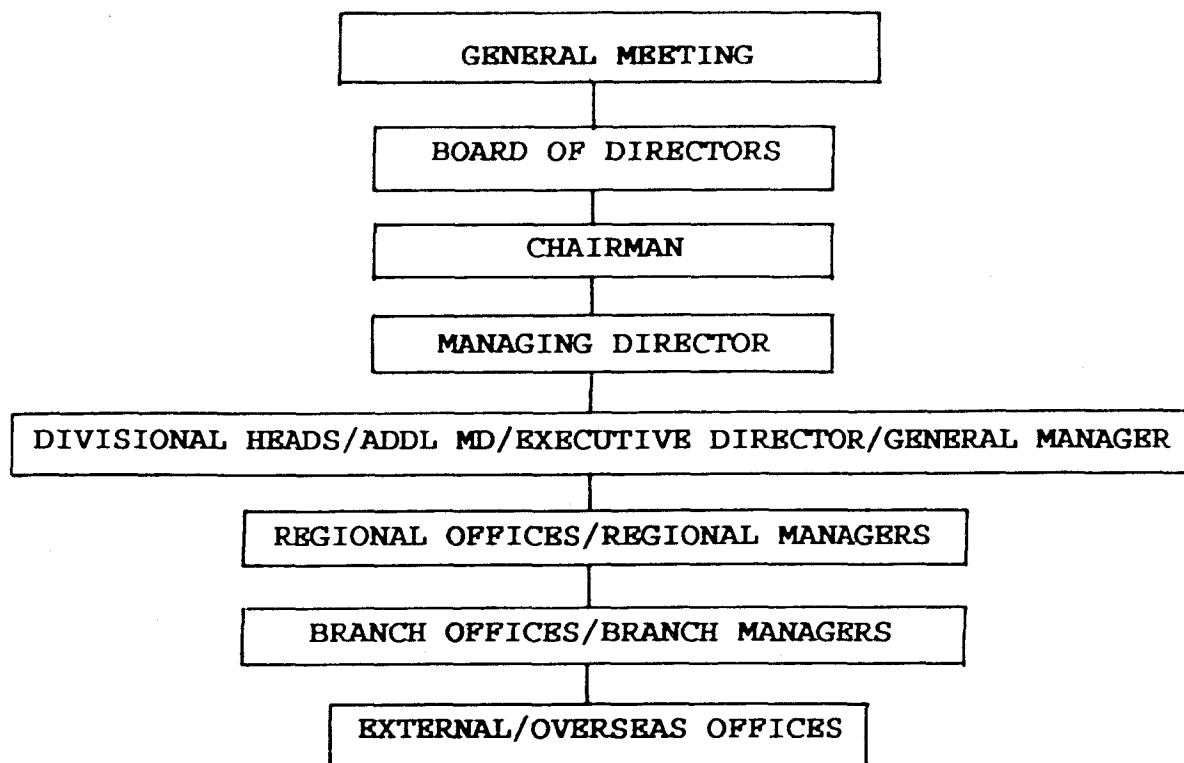
1.6 Management System of the Organisation: The General Body of NAFED representing its total membership is the supreme body. The management of NAFED vests in its Board of Directors elected from amongst the representatives of State Coop Marketing Federations, member-societies, representatives of the Govt of India, National Coop Union of India, National Coop Development Corporation, National Coop Consumers Fedn, Bharat Krishak Samaj and the State Bank of India and Managing Director of NAFED are also on its Board. The Chairman elected by the Board of Directors presides over the meetings of the Board, General Body, Executive Committee and Business Committee. The BOD lay down policy guidelines, frame rules, regulations service conditions and exercise other statutory powers conferred on them by the Act, Rules and Bye-laws.

- The Managing Director is the Chief Executive Officer of NAFED appointed by the BOD, conducts business and all other activities, besides exercising control over the administration and affairs of the organisation. Two Organisational Charts are given below:

ORGANISATIONAL STRUCTURE-I/NAFED-INDIA



INTERNAL ORGANISATIONAL STRUCTURE-II/NAFED-INDIA



1.7 Financial Situation of the Organisation
as of December 1996 (in US Dollars):

- a. Total Working Capital -Rs.10000 million/(over USD 25m)
- b. Member's Own Share -Rs. 50 million/(USD 1.26 million)
- c. External Shares (Govt) -Nil
- d. Profits/Incurring losses -Earning Profit.
-Net Profit 1996-97 -Rs.123 million.
- e. Receiving subsidies -No
- f. If yes, on what items and at what rate: Not applicable

2. Organisation's Activities:

2.1 Main Objective of the Organisation: The objects of NAFED are to organise, promote and develop marketing, processing and storage of agricultural, horticultural and forest produce, distribution of agricultural machinery, implements and other inputs, undertake inter-state, intra-state, import and export trade and to act and assist for technical advice in agricultural production for the promotion and the working of its members and cooperative marketing, processing and supply societies in India.

2.2 Outline of Major Activities of the Organisation: Internal (Domestic Marketing): NAFED undertakes internal trade covering a wide range of items such as food-grains, pulses, oils and oilseeds, spices, fruits and vegetables, eggs, tribal produce, processed foods, packing material, organic and inorganic fertilizers, pesticides, distribution and servicing of agricultural machinery etc.

- Exports: NAFED undertakes export of various agri-products in primary as well as processed form. Exports of onion and nigerseed are canalised through NAFED.

- Imports: NAFED undertakes import of agricultural commodities as and when internal situation so warrants as well as on the advice of the Government of India. This is aimed at supplementing domestic availability in arresting price rise. NAFED has also imported dia-ammonia phosphate for distribution among farmers through cooperative network.

- Price Support/Marketing Intervention Operations: As a nodal agency of the Government of India, NAFED procures and markets selected oilseeds and pulses under the Price Support Scheme. NAFED also undertakes market intervention operations in respect of perishables like onion, potato, ginger, fruits, spices, eggs to stabilise their prices in the interest of the farmers.

- Consumer Distribution: In time of scarcity, NAFED takes up distribution of onion, potato, eggs, pulses, edible oils etc. in major cities to protect consumer interests.

- Agro-Industries: NAFED also undertakes processing of fruits and vegetables, manufacturing of bio-fertilizer, supply of agricultural machinery and its spare parts etc.

3. Organisation's Relationship with the Government

3.1 Legal Status of the Organisation

- NAFED is registered under Multi-State Coop Societies' Act 1984.
- The organisation is fully autonomous and is enjoying monopoly on certain items.
- The export of onion from India is canalised through NAFED in which NAFED has been associating Associate Shippers from trade/organisations. NAFED is one of the four canalising agencies for export of Nigerseed.

3.2 Relationship on Activities: Whether activities are carried out on the initiative of the government?: NAFED undertakes Price Support and Market Intervention Operations of some of the sensitive/essential commodities on behalf of the Government of India. Sometimes, it also exports/imports agricultural commodities at government's initiative.

Member's Meetings

- Its commercial activities are carried out based on the policy decisions taken at Members' Meetings.
- Based on market situation.
- The business targets approved by the Members' Meetings are regulated (upwards or downwards) based on market situations, government policies, etc.

Extent of dependency on the government: NAFED is dependent on the government only in respect of Price Support, Market Intervention Operations and export of onion and nigerseed canalised through it. For all other business activities etc., there is least dependency on the government.

3.3 Human Relationship: Whether Organisation is free to select and appoint all its personnel including its chief executive officer: The Chief Executive Officer and some of the senior officers are selected by the National Cooperative Selection Committee constituted by the Ministry of Agriculture under the Cooperative Laws and appointed by its Board of Directors. For all other posts, NAFED is free to select and appoint personnel as per its requirement according to the Rules.

Obtains personnel from government on secondment basis: Sometimes officers from government are also taken in the service of NAFED on secondment basis.

Board is nominated by an external agency or democratically elected from among the members: The Board of Directors of NAFED is elected democratically by its members and nominees. The election is conducted by the Returning Officer appointed by Ministry of Agriculture, Govt of India, under the coop laws.

Own internal staff training arrangements exist or makes use of other institutions: NAFED has its in-house Staff Training arrangements. It also arranges imparting of training, knowledge and professional skills, etc. by deputing its manpower to various professional, specialised and technical training courses organised by outside professional, academic and government agencies/institutes.

3.4 Financial Relationship. Major source of funding of the Organisation: The major source of funding of the organisation is its share capital, reserve and other funds, and borrowings from financial institutions.

Percentage of government contribution : Nil

Percentage of borrowings from the open market: Less than 25% presently.

Problems encountered, legal or others in raising the needed working capital:

- Maximum borrowing limit is fixed as per the provisions of Cooperative Act, Rules and the Bye-laws.

- Members generally do not contribute on their own to the share capital of NAFED.

- Procedural and margin money deposit conditions besides commercial interest rates.

Situation of retiring government's contributions: in the past for a short period.

- Government's initial contribution has already been retired.

4. Political Relationships: Does the organisation receive any political patronage: No

4.2 How are the elections in the Organisation conducted and with what frequency?: The elections of the Board of Directors are conducted once in three years by the Returning Officer appointed by the Central Registrar (Government of India) in accordance with the procedure laid down in the Act, Rules and the Bye-laws.

4.3 Does the organisation or its Main Objective figure in any of the political manifestos? No.

5. Organisation's Concepts of Food Security: The salient feature of food security is to ensure that every individual human being is free from hunger and malnutrition. This requires: a) Stable food production keeping in view the growth in population; b) Equitable distribution and availability of food needs particularly in scarcity and remote areas; c) Creating purchasing power in every human being so that he can afford to purchase his basic needs.

5A(i): **National Strategy:** The national strategy of the Government of India envisages strengthen, protect and sustain the interest of the producers in farming as more than 50% food-grains production is still dependent on non-irrigation land and vagaries of nature.

a. For this purpose irrigation facilities particularly in areas where availability of ground water and canal water is scant is given high priority basis in its development plans. Lift and sprinkle irrigation is subsidized.

b. **Credit facilities** - Adequate credit facilities through cooperative and other banking institutions is made available to the farmers as soft loans for their production and consumption needs. Waiver of loans is also considered in case of crop failure due to natural calamities and other distress conditions.

c. **Supply of inputs** - Chemical fertilizers, improved seeds, pesticides, agricultural machinery etc. is provided to the farmers by the cooperatives within the villages. For production of chemical fertilizers the cooperatives have established their own two separate cooperatives who have gone in production of chemical fertilizers and they account for 40-43% of the countries production and distribute through cooperative system near the farmers place.

d. **Education and training programmes** through extension methods at field level is carried out to motivate farmers to adopt modern methods of production and crop management.

e. **Crop Insurance** - Crop insurance is being extended in larger areas on subsidized rates for the standing crops and post harvested crop in the field.

f. **Post Harvest Technology** - Cooperatives are financially supported in creation of modern infrastructure facilities such as sorting, grading, and packaging of various commodities, building storage and cold storage facilities etc. Adequate transport facilities particularly railway wagons are arranged to facilitate fast movement of agricultural commodities at cheaper rates on priority basis by the Government of India.

g. **Regulated Markets** - Markets/mandies have been regulated under the Regulated Markets Act to check unhealthy practices to safeguard the interest of farmers through open auctions. Storage and other facilities are also available to farmers in the regulated markets to avoid distress sales.

5A(ii): **Fair Remuneration to the Producers:** In order to motivate farmers not only to sustain in farming but also to increase production and productivity and improve the purchasing power particularly the small and marginal farmers. Government of India ensures remunerative prices to the farmers in a number of commodities under Price Support Schemes through State and cooperative agencies. At present 22 commodities mainly food-grains, coarse grains, oil seeds, pulses, cotton, jute, tobacco

and sugarcane are covered under price support scheme.

- The price support operations can be classified under the following categories:

a. **Wheat and rice** - The object is to ensure fair price to the farmers, build buffer stocks for off season and supply food-grains to lower and middle class people at reasonable rates by subsidizing the cost. These stocks are distributed through ration shops run by cooperatives and private persons particularly for weaker sections of the society and in remote areas through ration cards. Food Corporation of India is the State nominated Agency for this purpose which uses cooperatives and other agencies for procurement purpose.

b. **Coarse Grains and Pulses** - The objects is to ensure fair price to the farmers. NAFED is the State nominated agency for this purpose and procurement is done only through cooperatives.

c. **Oilseeds** - NAFED and National Dairy Development Board are the agencies and procurement is done through cooperatives. The object is to ensure fair price to the farmers.

d. **Cotton and Jute** - Cotton Corporation and Jute Corporation of India are the state agencies for the purpose. They use cooperatives and other agencies also for this purpose. The object is to avoid distress sale by the farmers.

e. **Market Intervention Scheme** - In addition, government uses NAFED and cooperatives to enter in the market to stabilize prices particularly perishables at determined prices and losses on this account if any are met by the government.

f. **Canalization Approach** - Export of onion which is a mass consumption sensitive commodity is canalized through. The object is to ensure fair price to the farmers during production and maintain reasonable price level for the consumers during off season. Losses, if any, are met out of the profits made by NAFED on exports as a canalizing agency.

g. **NAFED Bio-Fertilizer, Indore** - The products of NAFED, Bio-fertilizer, Indore, viz. Rhizobium, Azotobactor, Super culture, Flower-care and PSM (Phosphate Solubilising Micro organisms) gained further popularity. PSB substitutes the use of expensive chemical fertilizers like Single Super Phosphate and DAP. The product has a long-term marketing potential. The NBF products are being marketed through various distribution centres to facilitate proper and timely distribution among the buyers in different parts of the country. The production of bio-fertilizers by the plant during 1985 was only 0.75 MTs which has now increased to 601 MTs during 1996-97. The NAFED Bio-fertilizers plant, rendered to farming community regarding distribution of bio-fertilizers, which has helped in increasing production of pulses, oilseeds, etc. Because of the higher level of acceptability of this fertilizer to grow environment-friendly crops, the NAFED is shortly going to establish its second plant. The fertilizer is

very popular among the farmers.

5A(iii): **Role of NAFED in Food Security Issues:** At present Food Corporation of India is the recognized agency by Government of India with regard to food security. However, NAFED with its members is actively involved in price support and procurement. It does play a limited role indirectly. However, in case of onions it does have a direct role.

5B(i): **Long-term and short-term food export/import issues:** Liberalisation and opening of the economy may improve market availability of goods which could be a welcome feature for the consumers in the short run. This, however, creates a paradoxical situation as the farmers under subdued market situation loose motivation to increase production of the agricultural commodities which can be imported under the open general license policy. The situation also adversely affects the agro-based Indian economy for attaining self-sufficiency in respect of various essential agricultural commodities. It is therefore incumbent that export/import policy of the Government of India be regulated in the manner that helps in motivating the farmers to enhance yield and help in achieving self-sufficiency in essential commodities. On one side, the Government of India is keen to improve the production of oilseeds and pulses and had created a technology mission oilseed, pulses and maize and designated NAFED as the central **Nodal Agency** for rendering market support to the farmers through the mechanism of undertaking Price Support operations in oilseeds and pulses, on the other side, the open door policy of imports and drastic reductions in the import duty tariffs has resulted virtual dumping various oils, pulses etc. which has been depressing the prices within the country to the disadvantage of the farmers.

- The agricultural export is helping the country in earning valuable foreign exchange in providing employment opportunities, in increasing production and productivity and in raising the income of the farming community particularly small and marginal farmers and has to be encouraged. The main agricultural commodities having potential to increase the exports are tea, coffee, rice basmati and non-basmati spices, de-oiled cake etc. The exports in respect of most of the agricultural commodities are undertaken when there are clearly established surpluses after meeting the domestic needs. In some cases, imports are also permitted to supplement domestic needs.

- This policy of switch-on and switch-off does not facilitate continuity of exports which is necessary in the present international trading scenario as the markets once lost are difficult to be revive again. This calls for the need of a long term stable export policy particularly in case of essential commodities so that international trading of potential essential agricultural commodities can be developed in a regulated and systematic way through research and development, upgrading of quality standards, use of latest technology, expertise etc. to meet the international standards for sustaining the countries exports. The government is declaring its Export-Import Policy for

5 years period with periodic review and changes, sometimes so abrupt and sudden that the tempo of exports built goes out of gear and becomes very difficult to built again. This adversely affects the agricultural economy and farmers morale. Thus the long term Export-Import Policy with regard to essential commodities have to be different from industrial products keeping in view the interest of producers as well consumers and ensuring continuity as well flexibility.

- The experience of canalizing of exports of onions through NAFED is a good example which can be followed in other essential commodities in India as also by other countries also.

5B(ii): Entry of Multi-National Companies in Food Business: The process of liberalization and globalisation has induced many multi-national companies to briskly enter the arena of domestic and international trade in many developing countries including India. With availability of huge financial resources, linkages, established international trade contacts, and professional approach. They have started encashing all possible opportunities in agricultural sector also and a big challenge is being faced by cooperatives, public sector and small and medium enterprises particularly.

Thus food processing which was in the past by and large reserved for cooperatives and small sector will have to face this challenge. They will have to modernize the industry and management for which they will need heavy financial capital and HRD investments. They may also need foreign technical collaborations for these objectives.

5B(iii): Producing Food for others: India is a vast country with surplus and deficit areas within the country itself. Thus this role is being played by planned production of commodities keeping in view the needs and economic viability of production. At present the scope to produce for others outside the country seems limited. However, for specific needs like health food requiring labour intensive efforts some role can be played by Indian farmers in selected commodities.

5C (i) The agreement establishing the WTO came into force on January 01 1995, In many ways, the WTO is different from its predecessor, the General Agreement on Trade and Tariff (GATT). WTO members have to accept all obligations of GATT and its corollary agreements negotiated in Tokyo and Uruguay. Developing countries are left with no options but to follow the difficult path; (ii) The agreements constituting the WTO are multilateral in character and involve commitments for the entire membership. There was no effective mechanism under GATT for settling disputes. The speciality of the WTO is that it consolidates various dispute-provisions of constituent GATT accords into a unified Dispute Settlement Mechanism (DSM) and thus precludes what had come to be known as "forum shopping". Undue delays are avoided under the WTO by resorting to panel proceedings and appeals. Member-countries cannot veto judgements against them; (iii) Panel findings are subject to review by a new appellate

body. The WTO makes permanent the Trade Policy Review Mechanism (TPRM) providing regular monitoring of trade policies of member-countries; (iv) Surveillance of national trade policies is a fundamentally important activity of the WTO. This is done through TPRM. Trade policies of the four biggest traders - the European Union, the United States, Japan and Canada are re-examined once in two year; and (v) The details of any new anti-dumping or countervailing legislation, new technical standards affecting trade, changes to regulations affecting trade in services, the implementation of agricultural commitments and laws or regulations concerning the trade-related intellectual property rights agreements have all to be notified to the appropriate body of the WTO. (See the attached note on WTO Accords).

5D Developing countries have started to believe in the 'rule-based system' provided by the WTO as a protection from unwarranted retaliation. Many of the rulings from the WTO panel had gone in favour of developing countries. For example, India had complained about sanctions against woven wool shirts and blouses exported to the United States. The ruling was against the US. In some other cases, e.g., haldi (turmeric), neem, and some other herbal products, the ruling had favoured India. Several other countries are using the DSM to safeguard their trading interests. The only safeguard is the alertness duly supported by adequate support material and experiences with which the developing countries have to move and approach the WTO (before certain items are patented elsewhere). In this process governments, farmers and their organisations have to be always careful, monitor the application and violation of agreements and take quick remedial action.

"Reforms have often reduced government expenditure and subsidies for agriculture, health and education...Policies associated with structural adjustment programmes are usually favourable to exports, switching production resources from food crops to export crops".

WTO ACCORDS AND INDIA

- A Brief Note

Almost seven years after seeking to globalise the Indian economy, the Government of India has thought it fit to set up a Tariff Commission and is considering the setting up of the office of the Director-General of Anti-Dumping. The stakes in international trade are high. It has been estimated that by the year 2000 world trade in merchandise goods and commercial services will exceed US\$8 trillion - or \$2 trillion more than in 1995. By then, the World Trade Organisation (WTO) may have more than 130 member-countries, accounting for about 95% of the world trade. India's share will not touch even 1%.

GATT and WTO: The agreement establishing the WTO came into force on January 01 1995. In many ways, the WTO is different from its predecessor, the General Agreement on Trade and Tariff (GATT). WTO members have to accept all obligations of GATT and its corollary agreements negotiated in Tokyo and Uruguay. Developing countries have to tread a weary path.

The agreements constituting the WTO are multilateral in character and involve commitments for the entire membership. There was no effective mechanism under GATT for settling disputes. The speciality of the WTO is that it consolidates various dispute provisions of constituent GATT accords into a unified Dispute Settlement Mechanism (DSM) and thus precludes what had come to be known as "Forum Shopping". Undue delays are avoided under the WTO by resorting to panel proceedings and appeals. WTO procedure now operates under strict time limits. Member-countries cannot veto judgements against them.

Panel findings are subject to review by a new appellate body. Procedures are now in place to promote not merely timely compliance but also to monitor compliance action and to allow retaliation in the event of non-compliance. GATT was a trade accord serviced by professional secretariat. It provides a permanent forum for consolidation and negotiation on an ever-broadening agenda affecting global trade and investment in goods and services. The WTO makes permanent the Trade Policy Review Mechanism (TPRM) providing regular monitoring the trade policies of member-countries.

Dispute Settlement Mechanism: The WTO has an effective mechanism for settling disputes and for enforcing its rulings. The Institute for International Economics, Washington DC, notes that in the first 19 months up to July 1996, the WTO-DSM had handled 51 requests for consultation and many of these cases have already been resolved. Even the developing countries are using the DSM. Naturally, the United States has been the most active plaintiff challenging foreign practices in 18 cases.

This shows that even developing countries have started to believe in the rule-based system provided by the WTO as a protection from unwarranted retaliation. Many of the rulings had gone in favour of developing countries. Venezuela and Brazil complained about

US regulations on reformulated gasoline being applied in a discriminatory manner. The ruling went against the US. India had complained about sanctions against woven wool shirts and blouses exported to the US. The ruling went against the US. It was pointed out that such sanctions were inconsistent, and there was no industry comparable to Indian wool industry in the US.

America has challenged successfully foreign trade practices such as Korean measures affecting American farm exports and Japanese liquor taxes. Singapore successfully complained against Malaysian prohibition of imports of polyethylene and polypropylene. India was able to settle, through the DSM, its case against the Polish import regime for autos. Mexico's complaint against Venezuelan anti-dumping measures has been taken up for investigation. America complained against Pakistani patent protection for pharmaceutical and agricultural chemical products. Similar complaints from America are pending against Indian product patents protection.

TPRM and TPRB: Surveillance of national trade policies is a fundamentally important activity of the WTO which is done through Trade Policy Review Mechanism brought in to monitor trade practices across the globe and to promote debate on cross-border trade. Trade policies of the four biggest traders - the European Union, the United States, Japan and Canada are re-examined once in two years. Reviews are conducted in the Trade Policy Review Body (TPRB) on the basis of a policy statement prepared by the government under review and a report prepared by the WTO.

The details of any new anti-dumping or countervailing legislation, new technical standards affecting trade, changes in regulations affecting trade in services, the implementation of agricultural commitments and laws or regulations concerning the trade-related intellectual property rights agreements have all to be notified to the appropriate body of the WTO. It is in this context that India's failure to monitor dumping practices adopted by foreign conglomerates in their trade dealings with India calls for criticism. Dumping takes different forms and has been fine-tuned in recent years.

TRIPS, Haldi and Neem: The WTO agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) recognises that widely varying standards in the protection and enforcement of intellectual property rights and the lack of multi-lateral discipline dealing with international trade in counterfeit goods have been a growing source of tension in international economic relations.

India's ancient **Haldi** (turmeric) was sought to be patented under the American laws by two researchers of Indian origin, and the patent was, in fact, granted to them in March 1995. Luckily for India, because of the efforts and perseverance of Dr RA Mashelkar, now Director-General of the Council of Scientific and Industrial Research (CSIR-India), the US patent office acknowledged the mistake and cancelled the patent in turmeric. The case reveals the amount of documentation necessary to prevent

huge losses to India due to biopiracy of its herbal wealth. An American company has been granted a patent for **Neem** (margosa tree) as a pesticide. Danger lurks in the wings with regard to the **Tulsi** (Basil) plant and the **Basmati** (fragrant rice). Some decades back, an American cure for blood pressure, made from the herb **Sarpagandha** (*Rauwolfia Serpentina*) was found to be a pale imitation of an Ayurvedic medicine known in India for several centuries. Indian peasants are also seeking protection against the attempts at total control of seed by the transnational seed industry.

The WTO provides ample opportunities and scope to member-countries for mutual consultations and safeguards. In 1995 and 1996, the US and Brazil requested consultations for applying safeguards. The US had made 25 requests for consultation, all of them affecting developing countries, of which three were directed at Thailand, three at India, two at the Philippines, and one each at Hong Kong and Sri Lanka. Brazil had made seven requests for consultation, all resulting in imposition of safeguards.

That none seems to be playing by the rules also applies to agriculture, another area of interest for India. The agreement on agriculture requires the conversion of all non-tariff measures on agricultural commodities into equivalent tariffs. These tariff rate equivalents are then to be combined with existing tariffs and the resulting composite tariffs are to be bound at that rate. The agreements will invariably include items like: level of subsidies to be given to the farmers or withdrawn, limitations of imports and exports of farm commodities, grades and qualities of import/export commodities etc. The Agreement also provides for a cut in subsidies from the 1986-90 level by 36% (24% for developing countries) over six years (10 years for developing countries) in equal annual instalments. Developed countries are also required to reduce the volume of exports of every subsidised commodity by 21% over six years compared with average export levels of 1986-90. A corresponding reduction by 14% over 10 years is required of developing countries.

A lot depends on the member-countries how best they could protect their national interests, interests of their farmers, trading organisations and other players in international trade.

"...Treaties which are part of international law do not form part of the law of the land unless expressly made so by the concerned legislative authority." -an Indian Court Ruling

03 INDONESIA

Prepared by Ir Ibnoe Soedjono
former Director-General, Cooperatives, Indonesia

ORGANIZATIONS LINKED TO FOOD PROVISION AND DISTRIBUTION IN INDONESIA

ORGANIZATION

Central Union of Indonesia Dairy Cooperatives (GKSI)
Jalan Prof. Dr. Supomo, SH No. 178, Jakarta 12870
Telephone: (62-21) 8290689, 8301607, 8305849, 8305850
Fax: (62-21) 8290851

Year of Establishment:

- 1980, Corporate Body No. 8284 dated July 16, 1980
- Brief establishment history of GKSI attached (**Annexe-1**)

Number of Members:

- Individuals: 84,863 dairy cow-breeders;
- Organizations: 8 Primary Cooperatives and 194 Dairy Units of KUD (Village Unit Cooperative)

Membership:

- Those who are eligible to be members of the GKSI shall be Primary Dairy Cooperatives or other Primary Cooperatives dealing in dairy operation and meeting the requirements laid down in the GKSI Bylaw, Chapter III, Article 3.
- Type of membership comprises: i) Active, namely members still exercising rights and fulfilling obligations as members; ii) Non- Active, namely members not exercising rights and fulfilling obligations as members; and iii) Pre-members.

Organizational Management System: The GKSI constitutes the only Secondary Dairy Cooperatives in Indonesia having the obligation to provide service to Primary Dairy Cooperatives and Dairy Units of KUD as members. The primary Dairy Cooperatives and Dairy Units of KUD have the obligation to provide service to dairy cow-breeders as members. See: Organisational Structure-**Annexe-2**.

The Financial Condition of The Organization as at December 1996.

Total working capital	:	3.3 billion Rupiah
Capital from members	:	8.4 billion Rupiah
External capital	:	13.9 billion Rupiah
Profit/loss	:	0.3 billion Rupiah
Subsidies	:	No subsidy

ORGANIZATIONAL ACTIVITIES

- The purpose of the GKSI organization is to improve the welfare of members in particular and the public in general for the purpose of realizing progressive, just and prosperous society based on the Pancasila (Five Basic Principles of the Republic of Indonesia) and the 1945 Constitution.

- The main activities of the organization are conducting business in these sectors: Production, including: providing breeding cows, rearing female calves, fattening male calves; providing production facilities in the form of livestock feed, animal medicine and dairy operation equipment.

- Dairy processing, including: first-phase processing (cooling and pasteurisation); second-phase processing or final processing (thick, thin, cheese, powder, butter, and so on) done by the GKSI or in cooperation with other parties.

- Dairy marketing, including: result of first-phase processing; result of second-phase processing done by the GKSI itself or in cooperation with other parties.

Establishing cooperation among cooperatives, with other parties, private companies, BUMN (State-Owned Enterprise)/BUMD (Regional Government-Owned Enterprise/Persero (Public Enterprise) in mutually-beneficial business sectors.

RELATIONSHIP BETWEEN THE ORGANIZATION AND GOVERNMENT

Legal status of organization: None. The GKSI is not established by the government through a regulation of the Department of Cooperatives, but by Primary Cooperatives and Dairy Units of KUD.

- None, but the existence is based on the Cooperatives Act.

- Yes. The GKSI enjoys protection from the government through January 1998.

- Yes. The GKSI is developed at the initiative of non-governmental organizations (cooperatives).

Relationship between GKSI activities and the government: The activities conducted by the GKSI are at the initiative of the members meeting and according to market condition. There is no regulatory hindrance in conducting activities. There is dependence of the GKSI on the government.

Relationship between GKSI human resources and government: Yes. The GKSI is free to have directors and managers in operating the organization, and does not use government personnel.

Yes. The GKSI management is elected democratically through Annual General Meetings held once every five years and is not appointed by the government/external factor.

No. The GKSI is not yet able to develop staff capability internally.

Financial relationship with government:

GKSI Capital Source:

Members	:	22.16%
Government	:	36.41%
Non-bank third party	:	32.98%
Others	:	8.45%

Constrains and problems in capital expansion are due to the fact that there is no special credit scheme for secondary coops. If the government reduces its contribution, there is no problem for the GKSI, on the condition that the commitment of members can be increased.

POLITICAL RELATIONSHIP

None. The GKSI does not have any political affiliation and relationship with any institutions. Election in organization is conducted in an Annual General Meeting and the frequency is once every five years.

None, the GKSI and its objectives are not reflected in any political declaration.

INDONESIA'S FOOD SECURITY AND ROLE OF COOPERATIVES

Background: The FAO report (1997) shows that in the 1970-2010 period the world foodstuff production will undergo a decline. In the 1990-2010 period, the world foodstuff production will drop to 18% per annum. In the previous period of 1970-1990 this production growth was still about 2.3% per annum. According to this projection, the world in the future will undergo food shortage.

The food problem being experienced by the world, as mentioned above, is also relevant to be discussed, including for Indonesia although in 1984 Indonesia received world appreciation for our success in the food programme. At present, amidst the highly potential natural resources, Indonesia has become a country importing most foodstuffs, such as rice, corn, soybean, wheat flour, on to fresh fruits and meat. In the future, the challenge for Indonesia is how to achieve food availability guarantee, particularly through domestic production. This is based on the fact that the importation of food stuffs at present is very expensive (and requiring a very large amount of foreign exchange) and also the quantity available at the international market is not as much as what is needed.

Food Security Concept: The main determinant in food security at the national, regional and local levels can be noted from the food production level, demand for food, food supply and trade. The determination of food security at the household level is food

access, food availability, and the risk related to the food access and availability. Therefore, the food security concept basically contains two important elements, namely availability and accessibility.

In Law Number 7 of 1996 the food security concept is entering the security, quality and diversity aspects as the condition to be fulfilled in meeting the food requirements of the people adequately and evenly as well as in an affordable manner. The food security condition needed also covers the condition for sound living. The Indonesian Government has declared its commitment to implement the Rome Declaration and all Action Plans produced by the 1996 World Food Summit.

Indonesia's Food Security Status: Besides the provision of staples producing carbohydrate, Indonesia has also succeeded in increasing the availability of various animal protein sources such as meat, egg and fish and various other foodstuffs. Fruit and vegetable production has also risen, thereby allowing people's consumption to increase. The protein availability has passed the protein adequacy figure, although the animal protein consumption figure remains inadequate because of cultural factor and knowledge that has not yet supported the consumption of animal protein, particularly adequate supply of fish. On an overall basis meeting the requirement for various types of foodstuff could be mostly achieved from increased domestic production, thereby making it possible to increase food consumption by the people up to rural areas.

Regarding the role of import or foreign trade as a source of food supply in realizing food security, FAO even mentioned that with trade it is possible for consumption to be achieved above the domestic production capability, thereby strongly supporting the efforts towards the realization of food security (FAO, 1996). The view placing importance on a more transparent and market-oriented role of trade as an instrument to maintain food security has also been proven from the experience in Indonesia and in many countries recently. Therefore one of the commitments of the 1996 World Food Summit is also to make efforts to realize a more market-oriented world food trade.

Table showing the Balance of Indonesian Food Trade
1988-1996 (in Million US \$)

Year	Export	Import	Trading Volume	Surplus
1992	2500,3	1389,9	3890,2	1110,4
1993	3033,7	1307,0	4340,7	1726,7
1994	3945,2	1773,5	5718,7	2171,7
1995	4795,4	2846,6	7642,0	1948,8
1996	5128,6	3643,5	8772,0	1485,1

Source: BPS-Indonesia (Central Bureau Statistic)

An increasingly large trade volume development for Indonesia during the last three years has increased domestic food availability in terms of volume and diversity.

Basically there are two policy choices that are open to realize reliable or excellent food security at the national level, namely encouraging the achievement of self-sufficiency in domestic production increase or encouraging the realization of food self-reliance. Self-sufficiency is understood to be encouraging as much as possible domestic production in meeting the national food requirement and attempting to minimize to the least the autonomy concept in this understanding is defined as an effort to use the national resources productively by maintaining the production level in accordance with certain adequacy level by still providing adequate inputs for international trade. Thus self-reliance in meeting food requirement means being able to produce food efficiently by still maintaining the capability compared to self-sufficiency related to only a staple commodity which frequently leads to sacrificing the principle of resource use efficiency and fails to give sufficient space to the provision from the international market which makes it possible for national consumption to be fulfilled over the national production capability economically.

In the last two years, Indonesia's food security has faced at least two very tough challenge. First, as a result of the climate irregularity (El Nino) Indonesia has faced the worst draught problem in the decade of the 1990's. This problem has engulfed almost all regions in Indonesia, and even also several other countries. The draught has then expanded with the forest fire problem bringing about negative impacts in various aspects of the people's life. Second, Indonesia has faced a monetary crisis triggered by the worst exchange rate crisis in last twenty years. Although the first source of the crisis originates from international currency trade environment and also engulfs various other countries, however the impact brought then about by it is felt tougher for Indonesia. Such crisis condition disrupting the efforts to guarantee stronger food security. In particular, the exchange rate crisis has resulted in expensive import foodstuff and expensive inputs, such as feed and feed raw material, seeds, and pesticides, which are needed for food production process. In particular, livestock breeding production activity constitutes the worst hit activity as a result of the crisis.

National Food Security Development Agenda: In the above perspective, and by continuing to attempt to guarantee the achievement of the interest of food-based agribusiness system. As a system, food-based agribusiness comprises four subsystems, namely: First, upstream agribusiness production input facilities such as activities producing and trading production input facilities such as fertilizer, seeds, equipment and machinery, etc. Second, cultivation agribusiness subsystem, namely economic activities using production input facility to produce food commodity through chemical and biological process. Third, downstream agribusiness subsystem, namely economic activities processing food agricultural commodities and the relevant trading

activities. Fourth, countervailing service system, namely economic activities serving the needs of the three earlier subsystems such as research and development, banking, insurance, extension, transportation and government policies.

Comments on GATT/WTO: In the framework of the aforesaid agenda and observing that Indonesia has become a member of the GATT and has also signed the WTO agreement, it must be possible to anticipate the consequence and opportunity arising from the free world trade. First, opening the domestic market to the agricultural products from other countries, meaning the domestic agricultural producers will compete with external products. Second, increasing export opportunities for export of agricultural products to other countries in facing competition from other countries. The two matters have potentials.

However, in view of Indonesia's internal condition, particularly the latest development taking place in the political and the economic aspects which are making life difficult for Indonesians, there are several strategic matters which must be continuously pursued for the sake of the people's welfare.

i) **Application of principles of transparency, fairness, and reciprocity in free trade:** The application of the free trade system in the WTO agreement is a condition that can no longer be bargained. Indonesia has also countersigned the agreement together with other countries. The thing that has to be observed is that the issue showing the preference of industrialized countries to use the strength of their international influence, including through various international institutions, supported by domestic economic strength and the strength and mastery of technology to use the free trade for own benefit. The dairy product sales case with dumping policy to developing countries, through direct trade pattern and food aid mechanism, is one of the issue that has since long emerged. Likewise in the case of application of new non-tariff hindrance, such as the environmental, human right, or democracy issue, that is linked to the trade of products of developing countries has also become an international issue. Therefore, the free trade has to be maintained so that it can be conducted consistently, transparently, fairly, and applicable also to every country, in an adequate monitoring mechanism.

ii) **Rescheduling of free trade application:** The economic crisis now engulfing Indonesia, and also several other countries, has lately changed the economic capability which has been developed over such a long time has dropped drastically within only several months. It may be pointed out that a group of producer farmers have suffered a very large negative impact as a result of the crisis. Therefore, by also observing the principle of fairness in free trade, maximum rescheduling in the application of free trade has to be made in order to give an opportunity for Indonesia to improve its economic performance. In this case the arrangement of the rescheduling has to be made for each commodity in a more in-depth and detailed discussion.

iii) **Need for safeguarding system against negative impacts of free trade:** In relation to the above consideration point, it has been widely discussed that one of the causes of the crisis now engulfing Asia is one of the derivatives of free trade, namely free money trade. Therefore there is a need for the establishment of an adequate safeguarding system to prevent the bad impact from recurring. The establishment of the money trade safeguard system also needs to be an item in the agency of the WTO agreement discussion and it is hoped that it can be a parallel result of the agreement.

Role of Cooperatives: In the framework of the above thought, at least there are two roles that can be expected from cooperatives.

First, the role of bargaining position enhancement economically and non-economically (socio-politically) of the actors involved in the food sustainability system in a wide sense also means that cooperatives have to be directed to become a market countervailing power. This particularly realized in the form of both vertical and horizontal activity integration. The intensification of the position of the actors is very important, particularly in relation to these efforts:

- a. ensuring that the food security problem is an important problem that has to get the attention of all parties;
- b. obtaining various policy and environmental (economic, socio-political) support which is conducive towards the realization of good security;
- c. creating negotiation strength in trade, and other activities on national, regional and international scales.

The realization of the position upgrading is a cooperative institution that is integrated between primary and secondary cooperatives, among primary cooperatives, and among secondary cooperatives striving to achieve the same strength in food security.

Second, the role of production and distribution efficiency. Food production and distribution efforts can be made by large-scale or small-scale (people) entrepreneurs. The choice between the two entails the consideration of efficiency and control of activities in a centralized manner. Large-scale entrepreneurs have more opportunities to achieve a higher efficiency level, but this will create centralized control. The reserve condition will be faced by small-scale entrepreneurs. However, in the case of cooperatives the two matters can be bridged. Control of production and distribution efforts can still be spread among people's efforts but a high efficiency level can still be achieved. In this case the status and function of cooperatives in the *food value chain* has to be observed to optimize the role.

The two roles are seen in the Village Unit Cooperatives (KUD) and the Union of Indonesia Dairy Cooperatives (GKSI).

Since the beginning agricultural sector development in Indonesia laid heavy emphasis on increasing rice production to reach self-sufficiency which was ultimately attained in 1984. Since the early 1970's cooperatives ("KUD", or Village Unit Cooperatives) became vertically integrated instruments in that process. Cooperatives became distributors of agricultural inputs and credit, as well as procurement agents of paddy from the farmers to fulfil government (= BULOG, i.e. Agency for Logistics) requirements. This instrumental trait of the KUDs has also been utilized for the procurement of sugarcane production to supply sugar factories which was almost entirely owned by the government.

The GKSI is also one of the examples of the form of vertical and horizontal linkages which can be guided to realize such thought (see the annexe: GKSI Profile). The efforts to improve the position of the business actors in the food sustainability system is shown by the GKSI through the cultivation of milk cow farmers/breeders. Institutionally the matter is realized by means of improvement of ownership scale, improvement of genetic quality, development of breeding operations and development of better feed production. It is not possible to realize this cultivation if the farmers/breeders operate individually and if this matter is not done then the food security (in this case dairy) will be difficult to realize. Another effort is by developing the Dairy Processing Industry (IPS) itself. The dependence of the breeders on the dairy industries owned by large-scale entrepreneurs will result in small incentive and added-value received by the farmers/breeders, besides creating dependence on the large-scale business actors.

Such thought is not without any problem. The first problem is *institutional gap*. The management and technological gap technically show this. The second problem is this *capital problem* itself, whereby the capital needed to carry out structural reform and cooperative function in the food system is very large, particularly because this far it has, indeed, not been developed to the optimum extent.

In overcoming the problem, Indonesian cooperatives are attempting to carry out a thorough reform and restructurization. Two matters serving as the focus of attention and at the same time serving as the activities deserving to get international support are:

- i. Developing a cooperative system and institution that is strong coupled with reliable cooperative organization development; (a) as cooperative system capable of realizing the cultivation of socio-economic potential of the common people and organizing it into a solid and effective strength to face competition in the market economy system, and, (b) as cooperative organization and cooperative business network capable of functioning in enhancing efficiency, market countervailing and balancing power, vehicle for gaining added-value, and significant actor in the food production and distribution system.

- ii. Developing suitable and adequate cooperative countervailing institution and infrastructure. Cooperative bank, cooperative human resource development institution, and cooperative technology development institution are priority agenda items to be organized.
-

A 10-Point NGO Plan to Combat Hunger...

- [01] Increase aid to agriculture
- [02] Target aid to low-potential as well as high-potential areas
- [03] Target aid to small farmers: Invest in people
- [04] Restore productive assets
- [05] Practise sustainable agriculture
- [06] Let farmers make informed choices about what to grow
- [07] Give the poor secure land tenure
- [08] Cancel debts and maintain food access by the hungry
- [09] Compensate the losers from trade agreements
- [10] Support participatory national food strategies

Annexe-1: BRIEF HISTORY OF GKSI

Milk cows in Indonesia were introduced by the Dutch Government at the end of the 19th century. During the Japanese Government era, the milk cow livestock constituting a legacy of the Dutch Government were maintained by the people. That era was the beginning of the milk cow livestock activities in Indonesia.

In the independence era steps were taken to establish Dairy Cooperatives. Since milk is a product that can be easily spoiled and the location of the livestock breeders were far from consumers, in order to save dairy production there was an absolute need for Cooperatives. As such in 1948, a Cooperative was established in Pangalengan, Bandung, in 1962 in Pujon, Malang, followed by other regions such as Lembang in Bandung, Nongkojajar in Pasuruan, Grati in Pasuruan, Boyolali and Ungaran.

During 1960-1968, the condition of Dairy Cooperatives development was not highly profitable, besides the economic situation which continued to deteriorate and competition which was increasingly tight among milk cow-breeders, Dairy Processing Industry (IPS) establishment was started using imported dairy raw material, as a result of which many Dairy Cooperatives went bankrupt.

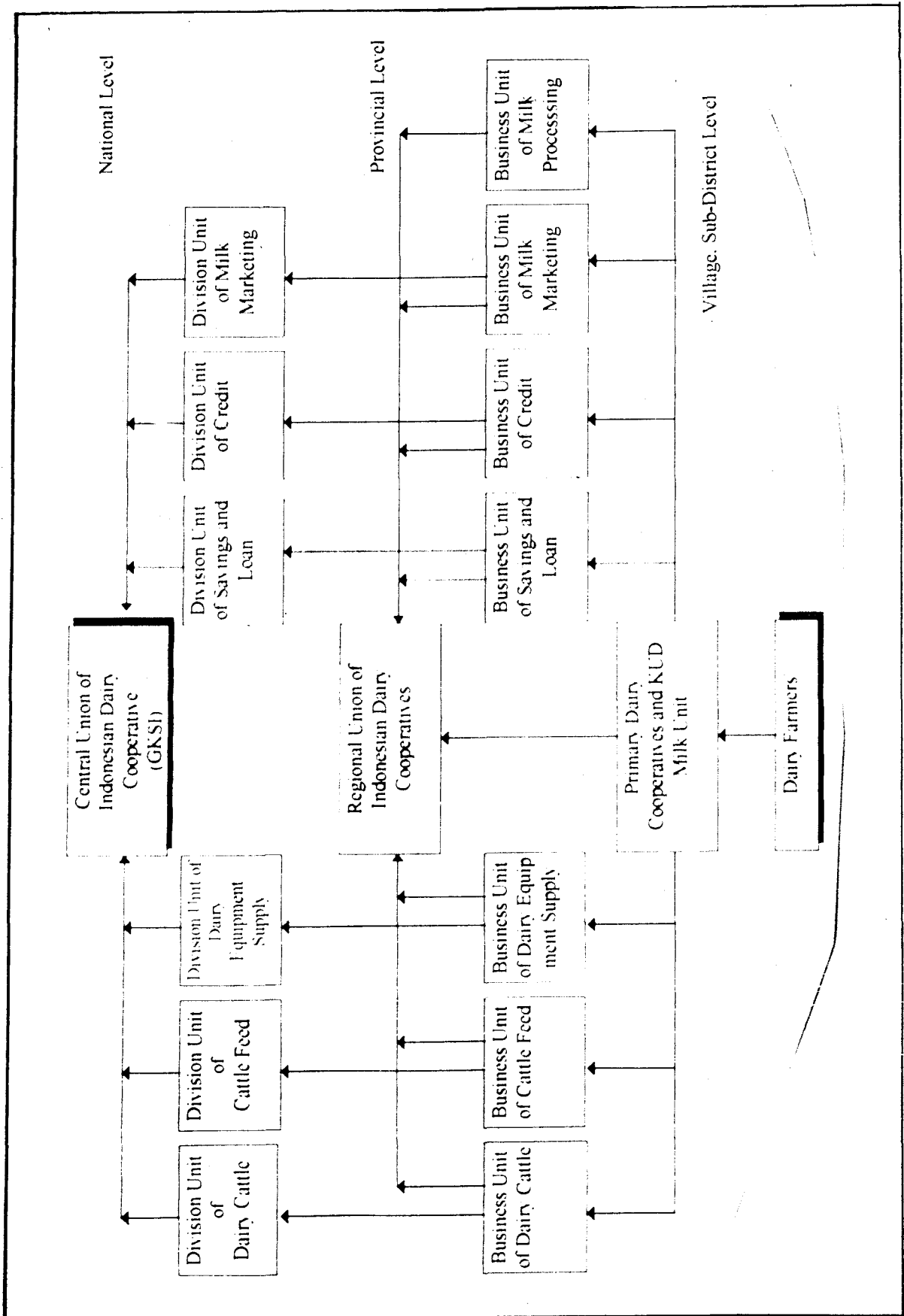
During 1969-1977, there was ironic situation. On the one hand many milk cow-breeders were bankrupt, while on the other a number of dairy private processing factories developed rapidly. In such relative condition, only two dairy cooperatives could still survive, namely the South Bandung-Pengalengan Livestock Breeding Cooperative (Pengalengan KPBS) and the Pujon-Malang SAE Dairy Cooperative.

The beginning of 1978 was the beginning of major measures in the development of Dairy Cooperatives in Indonesia after studying the problems which arose and the solution opportunities, by comparing them with Dairy Cooperatives in Anand, India.

In July 1978, at the initiative of the Government there was a joint agreement between the Dairy Cooperatives and the Private Dairy Processing Industry (IPS), namely the willingness of the IPS to absorb the production of the people milk cow livestock breeders at a reasonable price.

On July 19-21, 1978, the First Dairy Cooperatives Workshop was held in Jakarta which was attended by 14 Primary Dairy Cooperatives, with resolutions made, namely amongst others, the establishment of the Indonesian Dairy Cooperative Coordination Board (BKCSI). On March 29-31, 1979, in the Second Dairy Cooperative Workshop in Malang which was attended by 17 Primary Dairy Cooperatives, it was resolved to dissolve the BKCSI and to establish the Union of Indonesian Dairy Cooperatives (GKSI) as Secondary Dairy Cooperatives.

Annexe-2: INDONESIAN DAIRY COOPERATIVES ORGANIZATION STRUCTURE



O4 MALAYSIA

Prepared by the Cooperative College of Malaysia
[Ms Armi Zainnudin and Ms Sushila Devi]

I. THE NATIONAL FARMERS' ASSOCIATION (NAFAS)

1. ORGANISATION

1.1 Name and full address of the organisation:

The National Farmers Association (NAFAS)
Lot 9, Jalan 241/51A
46100 Petaling Jaya. Selangor, Malaysia

1.2 Year of Establishment: 31 March 1972

1.3 Brief historical background of the organisation: The National Farmers Association (NAFAS) is the apex body for Farmers Associations in Malaysia which was formed under the Farmers Association Act 1967. In 1973, the Act was amended to become the Farmers Organisation Act 1973 and subsequently all Farmers' Associations and Agro-based Cooperatives were merged into a new 'Farmers Organisations'.

The network of Farmers Organisation in Malaysia therefore belongs to the farmers for the benefit of members and the farming community in general.

1.4 Number of current (1996 December) individual members of affiliates:

13 State Farmers Organisations which covers 267 Area Farmers Organisations (i.e. at district level) are affiliated to NAFAS.

1.5 Type of membership: Individual/Organisations (Please explain briefly)

NAFAS being the apex body for Farmers Organisations in the country is the Tertiary level organisation. The membership consists of only the Secondary level organisations i.e., the State Farmers Organisations. (See Annexe-I).

1.6 Management System of the Organisation: (Please attach organisational structure of the organisation and give some brief explanation)

- Please See Annexe-II.

1.7 Financial Situation of the Organisation
as of December 1996 (in US Dollars)

(a) Total working capital	:	Not available
(b) Members' Own Share	:	USD 500,000
(c) External Shares (e.g., Govt)	:	None
(d) Earning Profits (before tax)	:	USD 2,162,500
(e) Receiving Subsidies	:	No

2. ORGANISATION'S ACTIVITIES

2.1 Main Objective of the Organisation: (Reproduce from
Byelaws/Articles of Association)

Section 6 of NAFAS' Constitution outlines the objectives of the Organisation states as follows:

- (i) To improve social and economic status of farmers;
- (ii) To improve and enhance knowledge and skills;
- (iii) To increase production and income;
- (iv) To improve the way of life of members;
- (v) To create an independent, prosperous, progressive and united farming community.

2.2 Outline of Major Activities of the Organisation:

- i. Agro-business activities such as importation and distribution and sale of fertilizers and agro-chemical, seedlings and animal stocks, animal feed, farming tools and other requirements.
- ii. Importation, assembly and sale of farm machineries (tractors, harvesters, implements etc.), providing after sales services and spare-parts.
- iii. Assisting Farmers' Organisations to market members' produce, and providing relevant support services.
- iv. Importing foodstuff and other consumer products, and exporting Malaysian commodities and products.
- v. Investing in related companies that benefits both the Organisations and the farmers and other productive joint ventures.
- vi. Undertake the function on behalf of the Government to process and distribute fertilizers to rice growers under the Government's Input Support Programme.
- vii. Development and management of estate (oil palm, cocoa and fruits/vegetables).
- viii. Property development (Housing, Commercial and Resorts).
- ix. Unit Trusts (for Farmer members; to be launched).

3. ORGANISATION'S RELATIONS WITH THE GOVERNMENT

3.1 Legal Status of the Organisation

Please answer the following/any of the points:

- NAFAS is created by an Act of Parliament. The relevant Act is Farmers' Associations Act 1967 amended in 1973 to become Farmers' Organisations Act.

- It is not bound by any other laws.

- The Organisation does not enjoy monopoly from the government, though it is recognised by the government as representing the interests of the farmers in the country.

- The Organisation is not an NGO.

3.2 Relationship on Activities

- Activities are generally carried out by own initiatives except in the case of 2 activities i.e., (i) Distribution of fertilizers to the farmers under the Government's Support Programme; and (ii) Marketing of Poultry whereby NAFAS buys all the chickens from the farmers at a fixed price determined by the government. NAFAS then market the chickens to various government bodies and higher learning institutions through government contracts/tenders. These two activities are government-support programmes given to NAFAS to carry out.

- Other activities are based on market situation, such as: (i) Marketing of farm machineries (as agent); (ii) Property Development; and (iii) Development and management of estates (oil palm, cocoa and vegetables)

- There is no legal obstacles. However, there are a few obstacles due to market forces such as competition and Price Fluctuation eg cost of chicken feeds is very unstable due to importation and competition.

- NAFAS is not financially dependent on the government.

3.3 Human Relationship

Please answer the following/any of the points:

- NAFAS is free to select and appoint all its personnel except its Chief Executive Officer who is a government personnel on secondment basis (from Farmers' Organisation Authority-FOA).

- The Organisation appoints its own personnel except its Chief Executive Officer,

- The board is democratically elected from among the members.

- The internal staff training is conducted by its training department as and when required in the form of 'on-the-job' training. However, from time to time the staff is sent to other

training organisations for training eg. on computer.

3.4 Financial Relationship

Please answer the following/any of the points:

- The major source of funding is from its own funds.
- There is no government contribution.
- The Organisation's gearing ratio is 70% - 80% (Highly geared) whereby several short-term and long-term borrowings are obtained from commercial banks.
- The Organisation does not encounter any problems in raising the needed capital for its business activities.
- Not relevant.

4. POLITICAL RELATIONSHIPS

4.1 Does the organisation receive any political patronage? If yes, briefly describe the type of patronage, from which political party and with what objective?

- The Organisation does not receive any political patronage.

4.2 How are the elections in the Organisation conducted and with what frequency?

- NAFAS Board of Directors are elected democratically from representatives nominated by member farmers at State and Area Levels at the Annual General Meeting and hold office for two years. Eleven Directors are elected by members, while four others are nominated by the Minister of Agriculture.

4.3 Does the Organisation or its Main Objective figure in any of the political manifestos?

- No

5. ORGANISATION'S CONCEPTS OF FOOD SECURITY

This is the key part of the Questionnaire. The main focus is on food security issues and the effects of World Trade Organisation's future agreements. Please use additional sheets citing corresponding numbers. Please explain the following points precisely:

- NAFAS is not in a position to answer this section. However, since NAFAS is regulated by Farmers Organisation Authority (FOA), therefore NAFAS has suggested the questionnaire to be presented to FOA. As such, FOA has been kind enough to give its views and opinions to the questionnaire in this section.

5A. The National Strategy on:

5A(i): **Securing the interests of the farmer-producers, procurement, post-harvest technology, marketing:** FOA promotes the involvement of farmers' organisations in the financing and production of food crops, the primary processing of the food crops, primary handling and marketing, and more recently the direct retailing of the farm produce. The primary objective of the FOs is to better farmers' incomes while earnings a reasonable profit to pay dividends to the shareholders. FOA finance the activities of the Fos in food production and marketing from government grants and also provides loans to the Fos for working capital requirements.

5A(ii): **Fair remunerations to the producers:** Fair remuneration to the producers is partly achieved through the involvement of the FOs in the marketing of their farm produce in competition with the market intermediaries. Fair remuneration is difficult concept to measure as market forces determine the price of farm produce except in the case of paddy for which there is a minimum price support. The price support given to paddy has been given by the government to alleviate poverty among the paddy farmers.

5A(iii): **The role of the organisation in food security issues:** The government has directed FOA to be the catalyst for the involvement of the FOs in the production of food in the country. FOA is of the opinion that in the case of rice production the country's policy has to be that a minimum of 65% of the country's requirements has to be met from domestic production. In the case of vegetables and local fruits, the country is able to meet its needs and the ability to do so has to be safeguarded especially of land that is suitable for production of these food items. The country is able to produce locally chicken and eggs which are the main and cheapest source of protein. Policies have to be implemented that help maintain the comparative advantage for producing these meat products. FOA will continue to promote the FOs involvement in the production of food crops and food items.

FOs have a role to play in ensuring that the distribution of food to the customer is not disrupted. Although it is not the policy of the Government at present to utilize the FOs for this purpose in an emergency it is not inconceivable for the government to use the network of FOs to distribute food.

5B Organisation's views on:

5B(i) **Long-term and short-term food export/import issues:** The food export and import policy of the government should take into account the food security considerations of the country and the long-term trends in foreign commodity trade. World population including Malaysia's population is growing. In the long-term the demand for food is bound to increase. With urbanization, the resource available to grow food crops will decrease and this will lead to higher food prices domestically if the government does not subsidise the consumer. At the same time the terms-of-trade continues to move against food crops and there has to be

incentives for farmers to continue in the business of growing food, in the not too distant future the international trade for cereals will fall and this will lead to higher imports bills. Thus it is imperative that Malaysia continues to have the ability to attain self-sufficiency in food in times of crisis either natural or political.

5B(ii): **Entry of multi-national companies in food business:** The entry of multi-national companies in food business can be beneficial if their business practices do not undermine the food security policies of the country. Multi-national can be source of investment funds and technology. By improving and complementing the local distribution systems, farmers may be able to have ready markets for their produce. Farmers organisations can also assist farmers get better commodity prices if they are able to articulate their position.

5B(iii): **Producing food for others:** Producing food for export can benefit the farmers by getting better prices for their produce.

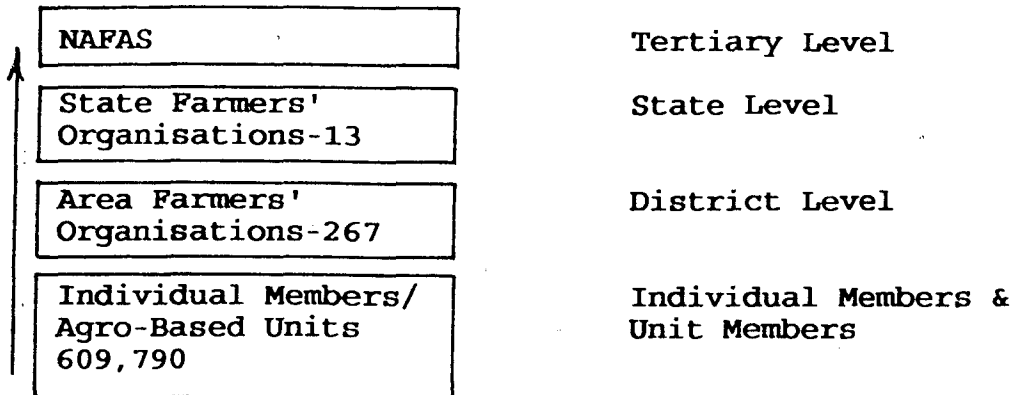
5C Your views and stances to WTO's Agricultural Agreement Negotiations which are likely to commence in 1999:

Food security issues will have to be considered in the WTO Agricultural Agreement Negotiations.

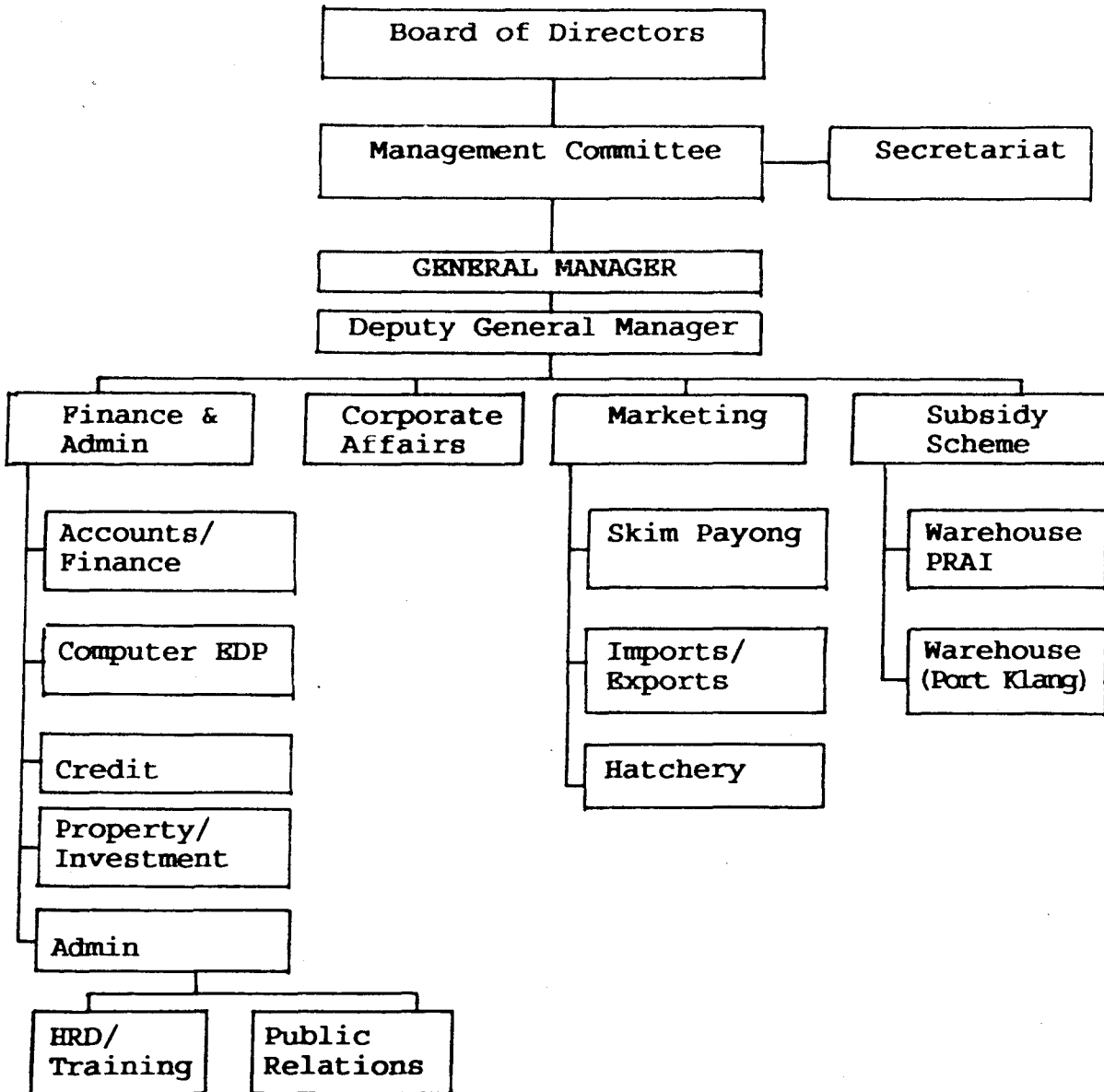
5D In case WTO's Agricultural Agreement Negotiations succeed, in your own views, what kind of influence/damage your country and the organisation will suffer from it:

If rice subsidies are reduced rice production may fall especially if rice imports are cheaper. Rice farm incomes could fall and exacerbate poverty levels. If prices of other food commodities fall as a result of cheaper imports, production of chicken, eggs, vegetables and fruits could be adversely affected making Malaysia more dependent on food imports. This will increase the vulnerability of Malaysia to political, economic and military happenings from which the food imports are obtained. The Uruguay Round does not prevent an exporting country imposing restrictions on its food imports.

Annexe-I: ORGANISATIONAL STRUCTURE OF THE NAFAS-MALAYSIA



Annexe-II ORGANISATIONAL STRUCTURE/INTERNAL: NAFAS-MALAYSIA



II. SELANGOR STATE FARMERS' ASSOCIATION (SSFA)

1. ORGANISATION

1.1 Name and full address of the Organisation:

Selangor State Farmers' Association (SSFA)
60, Jalan 3, Kawasan 16, Taman Intan
41300 Klang, Selangor Darul Ehsan

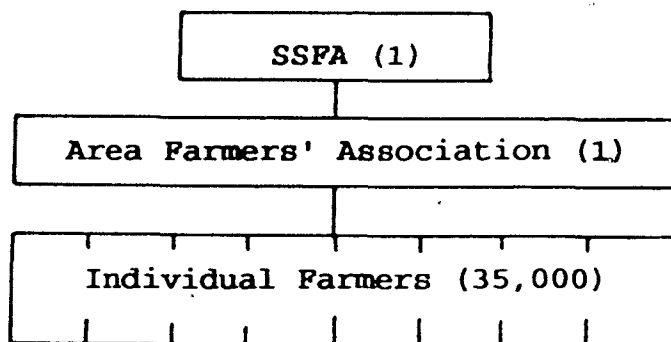
(Selangor is one of the twelve states on the west coast of West Malaysia).

1.2 Year of Establishment: 29 April 1972

1.3 Brief historical background of the organisation: The Selangor State Farmers' Association (SSFA) was established by the Malaysian Government, specifically the Farmers' Organisation Authority (FOA) in order to assist farmers (those owning less than fifty acres of farmland) to uplift their economic and social status.

1.4 Number of current (1996 December) individual members or affiliates: 14 Area Farmers' Associations as at December 1996.

1.5 Type of Membership: The SSFA is a secondary level organisation whose membership consists of only the Area Farmers' Associations in the state of Selangor. The SSFA does not have individual members as direct members. The individual farmer members, numbering 35000, are members of the 14 Area Farmers' Associations in Selangor. The membership structure follows:



1.6 Management system of the Organisation: The organisation structure of the SSFA is similar to that of a cooperative organisation. At the primary level, two delegates are elected from every fifty individual farmer members at the annual general meeting to be represented at the Area Farmers' Association. Delegates from each of the 14 Area Farmers' Associations in Selangor then attend the annual general assembly of the Selangor State Farmers' Association to elect the board of directors. Policies are determined by the nine board members and implemented by paid employees. The SSFA had 83 paid employees in 1996. A total of twelve employees were appointed by the FOA and seventy-one employees were appointed by the SSFA.

1.7 Financial Situation of the organisation as of December 1996
(in US Dollars):

- a. Total working capital : USD 3,898,684.00
- b. Members' own share : USD 82,105.00
- c. External shares (e.g. government): NIL
- d. Earning profits/incurring losses : Not Available for 1996
(The balance sheet as at December 1996 showed an accumulated loss of USD 186,842.00 as compared to an accumulated loss of USD 444,473.00 in December 1995. The reduction in accumulated loss could mean that the organisation must have made profits for the year ended 1996.)
- e. Receiving subsidies: Yes
- f. If YES, explain briefly: The SSFA receives subsidies in the form of employees from the FOA. The FOA pays the salaries of 12 employees, that is, the management staff. The training needs of these staff are also taken care of by the FOA.

2. ORGANISATION'S ACTIVITIES:

2.1 Main objective of the organisation: According to the byelaws of the SSFA, the main objectives are as follows:

- i. to uplift the socio-economic status of farmers.
- ii. to enhance the knowledge and skills pertaining to farming technology.
- iii. to raise output and income of the farmers
- iv. to create an independent, progressive and united farming community.

2.2 Outline of major activities of the organisation: The major activities are: Commercial rearing of poultry for meat (broilers): i) The SSFA sells the chicks, chicken feed and medicines to the Area Farmers' Associations in Selangor which have poultry farms as well as to individual farmers. The mature chickens are then bought from the farmers and Area Farmers' Associations and slaughtered at the slaughterhouse owned by the SSFA; ii) Broiler marketing: The SSFA has been awarded contracts to supply dressed chicken to government institutional customers. In 1996, broilers worth USD 1393.00 were supplied to 48 institutional customers; iii) Production and marketing of fruits and vegetables. The SSFA owns 150 acres worth of vegetable farmland in Selangor and is a major supplier of fresh vegetables to Carrefour, a French-owned hypermarket chain in Malaysia. The SSFA also supplies vegetables and fruits to individual retailers. In 1996 vegetable and fruit sales amounted to USD 613,274; iv) Supply of agricultural inputs: Fertilisers, agricultural biochemical and agricultural equipment amounting to USD 130,050 were supplied to the member associations of the SSFA; v) Tractor and harvester services: The SSFA owns 33 tractors and 9 combine harvesters and provide ploughing and harvesting services to its

member-associations as well as to individual farmers; vi) Property development: Recently the SSFA has gone into the development of property for residential, commercial and industrial use, through setting up three subsidiaries. These subsidiaries are Sunrise-PPNS Pte Ltd., PPNS-Salak Park Pte. Ltd. and PPNS BINA Pte. Ltd.

3. ORGANISATION'S RELATIONSHIP WITH THE GOVERNMENT

3.1 Legal status of the organisation: SSFA is an organisation created by an Act of Parliament. The relevant act is the Farmers' Association Act of 1973. It is not bound by any other law. It does not enjoy any form of monopoly from the Government. However, the SSFA is recognised by the government as representing the interests of small scale farmers in the state of Selangor.

3.2 Relationship on Activities: Some activities are carried out on the initiative of the government, specifically the FOA. These are the farm mechanisation services (which provide tractor and harvester services), vegetable production and marketing as well as poultry farming. The activities were originally carried out by the FOA but later handed to the SSFA to be undertaken.

The SSFA is also sensitive to the needs of the market. It has identified organic vegetable farming as an activity due to increasing market demand for vegetables and fruits free from chemical fertilisers and pesticides. The SSFA will also supply organic fertilisers to its member organisations.

The main obstacle faced by the SSFA in carrying out its activities is stiff price competition with private fruit and vegetable suppliers. These private suppliers are able to offer more competitive prices to their customers, such as the Carrefour hypermarket chain.

The SSFA supplies live dressed chickens to government institutional customers through government contracts awarded to NAFAS (National Farmers' Association). This, according to the source interviewed, is the only form of dependency on the government where the activities of SSFA are concerned.

3.3 Human Relationship: The SSFA selects the non-managerial employees (71). These constitute 19 clerical and 52 general/manual workers. The general manager and 11 divisional managers/executives are appointed by the FOA. These employees have been seconded to the SSFA.

The Board of Directors of the SSFA is democratically elected from the 14 member Area Farmers' Associations during the annual general meeting. There are a total of 9 board members, from which a chairman is elected. Staff training is usually as and when required and takes the form of on-the-job training by the general manager/divisional managers. The staff are also sent to the relevant training institutions for in-service technical training (eg. Malaysian Agricultural Research Development Institute). No career advancement training is undertaken.

3.4 Financial Relationship: The SSFA uses its own funds as the major source of funding. Government contribution for working capital requirements amounts to about 80%. This is in the form of soft loans with a repayment rate of between 4 to 6%. For example, the government, through FOA gave an initial working capital loan for the vegetable farming project. In addition, the FOA provided the premise for the poultry slaughterhouse but all equipment was purchased by the SSFA. Borrowings from the open market are usually obtained for the purchase of fixed assets (eg. Land) and repayment terms depend on the relevant financial institutions. There has been no problems encountered in obtaining the needed working capital. However, presently, due to the current economic crisis faced in Malaysia, loans particularly for property investments have been curtailed by the Central Bank of Malaysia. Retiring the government's initial loan contribution is done when the project earns an income. Repayment terms are generally more flexible now given the unfavourable liquidity position faced by most organisations.

4. POLITICAL RELATIONSHIPS

According to the source interviewed, the SSFA does not receive any form of political patronage nor its main objective figured in any political manifesto. As in a cooperative, the office bearers of the SSFA are democratically elected once in every two years.

5. ORGANISATION'S CONCEPTS OF FOOD SECURITY

Organisation's views on:

5B(i): Long-term and short-term food export/import issues: There should be concerted efforts by the various government agencies towards import substitution in food, particularly for rice and vegetable production.

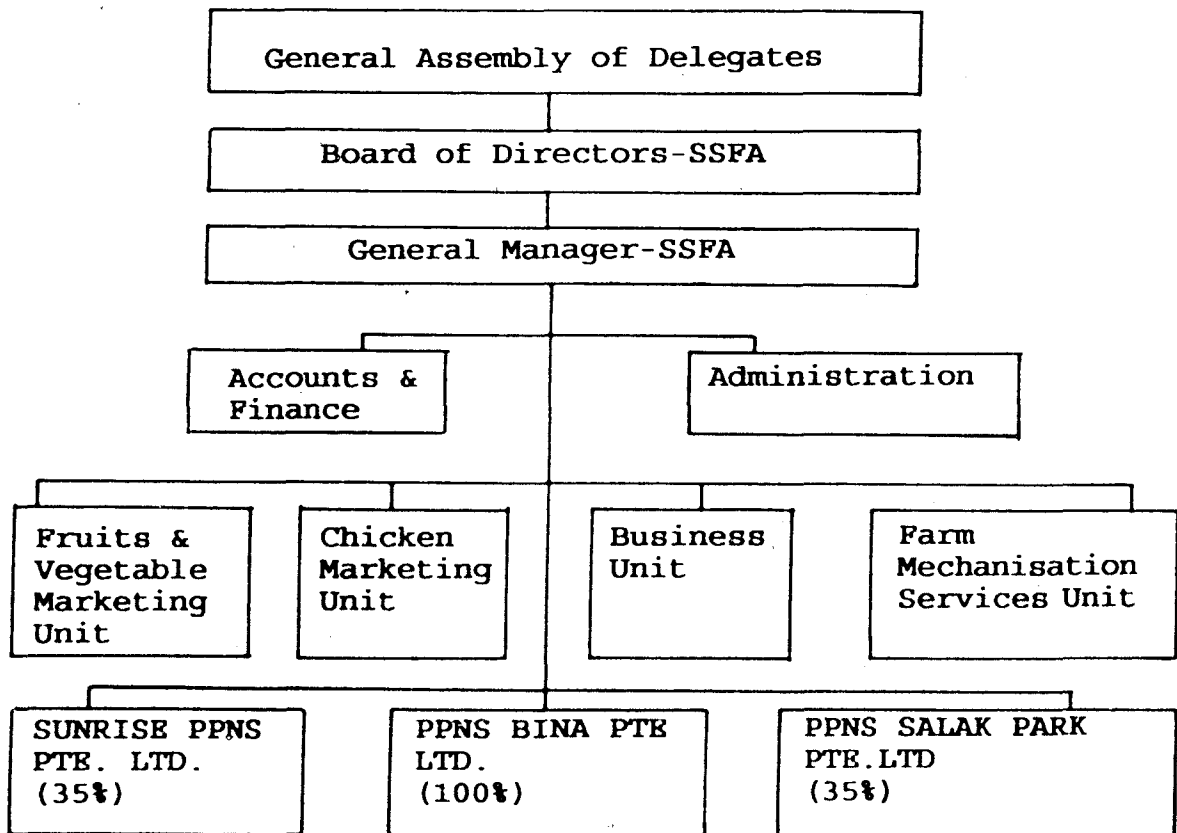
5B(ii): Entry of multi-national companies in food business: The entry of multi-national companies provides for healthy competition between the multi-nationals and local companies. However, transfer of technology with respect to improved production processes should be made mandatory. The management of SSFA feels that currently the organisation does not possess the capability and capacity to produce food for others, as it has yet to be self sufficient.

5C Developing countries, including Malaysia, should not neglect the importance of food production locally in their zest to achieve an industrialised status.

Achieving self-sufficiency in staple foods such as rice, vegetables and meat/fish should be paramount in the government's national food policy.

5D No comments were made on this question.

**SELANGOR STATE FARMERS' ASSOCIATION (SSFA)
ORGANISATIONAL STRUCTURE**



National Food Security

Considering globally available quantities, there should be sufficient food for every human being on earth. The high numbers of people still suffering from hunger and malnutrition imply that access to and distribution of food is a more serious problem than production. Attention is rarely given to the fact that in countries such as India, with large food production increases within the last three decades, at least half the population lives under food-deficit conditions.

05 THE PHILIPPINES

Prepared by Engr Felipe Mateo Jr., Consultant
Cooperative Union of the Philippines Inc.

Objective of the Study: The objective of the Study is to seek relevant information about the organisation structure, business activities, policy direction and strategies of various national farmer's organisations and agricultural cooperatives in the Philippines surrounding food security, relationship with their respective governments, etc. This was done by way of a rapid survey and interviews with responsible officers of farmers' cooperatives and agri-coop practitioners having working relationship with the respondent Cooperatives.

Organizations Covered: The six cooperatives which participated in this exercise are:

- i. Philippine Chamber of Cooperatives (Estd. 1995)
CUP Bldg, A. Roces Ave, Quezon City
- ii. LAMAC Multi-Purpose Cooperative (Estd. 1992)
Lamac, Pinamungajan, Cebu
- iii. San Joaquin Multi-Purpose Cooperative (Estd. 1984)
Brgy.1, Sarrat, Ilocos Norte
- iv. LIMCOMA Multi-Purpose Cooperative (Estd. 1970)
Sabang, Lipa City
- v. NORPHIL Farmers Multi-Purpose Coop (Estd. 1991)
Sampaguita, Solana, Cagayan
- vi. Soro-Soro Ibaba Development Cooperative (Estd. 1969)
Soro-Soro, Ibaba, Batangas City

Brief Historical Background: Most of the participating cooperatives started as small associations, with small capital, then graduated to become multi-million peso cooperatives - serving mostly their members. A minimal percentage of the business goes to non-members.

Number of Current Members: As described below:

Name of Cooperatives	Number of Members
-Philippines Chamber of Coops (PCC)	National Organization
-LAMAC (Municipal Level)	883 Individuals
-San Joaquin (Municipal Level)	1,338 "
-LIMCOMA (Regional Level)	3,400 "
-NORPHIL (Provincial Level)	604
-Soro-Soro (City Level)	1,100
-Total	7,325

Type of Membership

- * Members of the National Organization (PCC) are secondary and tertiary cooperatives;
- * Residents in the area where the cooperatives are established;
- * Farmers who are engaged in the major activity of the cooperatives, for example. Members of LIMCOMA are mostly Poultry and Livestock growers because LIMCOMA is engaged in the manufacture of cattle-feeds and processed meat. It does not cater to non-members.

In the case of NORPHIL, most of the members are sugar-cane farmers because the Cooperative is engaged in sugar-cane production and trading of sugar and molasses for its members. It also extends credit to members for production.

Management Systems: The cooperatives follow a standard organization structure with slight modifications depending on their lines of business.

Financial Situation: The combined financial resources of the cooperatives are as follows:

a) Working Capital	-	US\$ 5,442,928
b) Members own share	-	US\$ 2,790,614
c) External Shares	-	US\$ 48,514
d) Net Surplus (Profit)	-	US\$ 1,349,499
e) Subsidies	-	None

Main objectives of the organizations: The main objectives of the cooperatives include but not limited to the following:

- * Sourcing of funds to support the credit requirements of their members for their production activities at lowest possible interest rates;
- * Marketing of members' produce;
- * Procurement of production inputs of members;
- * Allied services eg., trucking, mechanized land preparation, etc.;
- * Distribution of consumers goods to members and the general public.

Major Activities

- * Procurement of Production Inputs for members;
- * Marketing of members' produce;
- * Credit services for members;
- * Depository of savings of members;
- * Consumers marketing to meet the basic needs of the members.

Organization's Relationship with the Government
-Legal Status

- * The provincial and municipal cooperatives were organized first as farmer-organizations under the Letter of Implementation 23 of PD 175;
- * At present, Republic Acts 6938 and 6939 are the Laws governing cooperatives in the Philippines;
- * No monopoly in business activities is being enjoyed by the agricultural cooperatives in the Philippines.

Relationship on Activities

- * Business activities are undertaken without government intervention;
- * The business activities are carried out by the management as governed by the Board of Directors which sets the policies as authorized during annual general assemblies;
- * Business activities normally respond to the needs of members. Adjustments are made as necessary to respond to changing market forces;
- * Obstacles in carrying out business activities are due to too much red-tape in government especially when getting loans from government financial institutions. This is compounded by high interest rates for agricultural loans as compared to neighbouring countries;
- * Government assistance are sometimes availed of but the cooperatives are not totally dependent on government support.

Human Relations: Democratic control is adopted by all cooperatives. Members of the Board and officers are elected by the general assembly.

Financial Relationship

- * Major Sources of Funding:
 - Internal
 - Share capital of members
 - Membership dues and fees
 - External
 - Loans from government
 - Financial institutions
 - Awards and donations
 - Others
 - Income from operations, sales of stocks, suppliers credit, interest on bank deposits.
- * Government Contributions: Only recently, the government implemented some grants-in-aid for productivity enhancement

but the bureaucratic and red-tape is hampering early release of these funds to cooperatives.

There are no initial government contributions provided to the cooperatives surveyed. Loans granted by the government financial institutions like Land Bank are paid as they mature.

Political Relationships

- The organizations did not receive political patronage or funds;
- Elections are conducted democratically based on the guidelines set by the Election Committee of the cooperative concerned;
- These cooperative organizations do not figure in any political exercise. Advocacy is done by the cooperative Unions and respective cooperative federations.

Food Security

5A The National strategy on:

5A(i): The interests of the farmer-producers can only be secured if the cost of production inputs is brought down through the establishment of Coop-owned fertilizer plants, seed banks and nurseries. Diversification of crops and shifting to high-value crops are being tried to increase farmers' incomes.

Imported fertilizers and chemicals are now very expensive due to the foreign currency crisis, and the only way to make farming profitable is to make quality low-priced locally-produced fertilizers available to the farmers. The use of integrated pest management can also cut down the cost of using pesticides and chemicals.

5A(ii): Fair remuneration to farmers can be achieved if processing and post-harvest facilities are made available to farmer's cooperatives in order to produce high-value products rather than sell cheap raw materials to processors and traders.

iii. Role of the agricultural cooperatives in food security issues:

5B Organizations' Views on:

5B(i): Long-term and short-term food export/import issues: The government must delay the WTO-imposed lifting of Tariffs on importation of agricultural products to give the local farmers time to become competitive. The dumping of low-priced imported agricultural products will displace our local farmers as was the case with the liberalized imports on sugar which resulted in the collapse of the sugar industry in the Philippines.

Government must accelerate the establishment of irrigation facilities, farm-to-market roads, and post-harvest facilities to

make local farmers globally competitive.

5B(ii): **Entry of Multi-National companies in food business:** While it is true that the entry of multi-national companies in the food business will encourage local producers to improve quality and competitiveness, the Agricultural cooperatives and small agricultural organizations will surely collapse if no safety nets are provided by government to cushion the impact of liberalizing imports of low-priced agri-based products.

5B(iii): Producing food for others:

5C **GATT-WTO Effects.** At present, the Philippines is a net importer of rice, corn and sugar. It cannot hope to attain self-sufficiency in these commodities by year 2000. To cushion the effects of WTO, government must insist that the reduction of tariffs on imports be done in phase with the development of the local production efficiency and competitiveness of our farmers.

5D **Damaging Effects of WTO Agreements.** It is almost a certainty that local farmers and our country will suffer under the full implementation of GATT-WTO. In the South-East Asian Region, the Philippines has one of the highest production costs in agriculture. Rice, corn and sugar can come in at prices below our farmers' production costs under WTO.

The Agricultural Modernization Law was recently passed by the Philippine Congress but its effects will not be felt until after 4 or 5 years. If no exceptions are made for the Philippines and similarly situated countries by WTO, the results can be very disastrous to our farmers in the Philippines.

"Trans-national companies which monopolise not only production and processing technologies but also trade and distribution systems worldwide. Chemical companies, for example, no longer produce only pesticides and fertilisers but engage in plant breeding and gene technologies offering higher-yielding plant varieties to farmers. If they succeed in getting patents for genetically modified seed or even for whole varieties of plants, there would hardly be a farmer, in the long term, who is not dependent on such multi-national and multi-functional corporations."

06 SRI LANKA

Prepared by Mr R.B. Rajaguru
former ICA Regional Director for Asia-Pacific

A. Introductory Note

I have read with great interest the Background Rationale behind this survey and the anticipated activities to safeguard the interests of the average agricultural producer, in the face of Globalisation and its attendant Open Market Operations. I have had several discussions and consultations at various levels, both in the Cooperative sector and with Farmers' Organisations. Unfortunately, these discussions leaves me with the impression that neither in the Cooperative Sector, nor in the Farmers' Organisation Sector, is there any serious attention being paid to the future prospects. The only conscious approaches at present are at Government level, and here too, the outlook seems to be mixed, with each Ministry concerned only with its own operations, which it tries to perform through a hierarchical network, with little or no collaboration with others concerned with the problem. The Ministry of Agriculture is the most concerned with the farmer welfare, while the Ministry of Internal and Foreign Commerce would like to ensure cheaper consumer commodities to the average Consumer, even if supplies have to be obtained from abroad. In the very recent past, when Festival Seasons were close at hand, even though the local crops were about to come in, imports were made of several popularly used consumer items like Big Onion and Potato, thus jeopardising the prospects of a reasonable price to the farmer. Overall, however, the Government does have a Policy to provide farmers with subsidised fertilizer, loan facilities at concessional rates and also guaranteed prices for items like Rice, but due to low productivity, high production costs and high transport costs, the farmer often is unable to break even, and when imports challenge the prevailing price structure, the farmer is left with only bleak prospects, and remains continuously in the grip of the middlemen.

From the "Organisation" point of view, the Sri Lanka Cooperative Marketing Federation, (MARKFED-Sri Lanka), performs at present, at a very low level of outreach, and is hardly looked upon by the member-farmers as an institution which operates in their interests. Outside of Markfed, there are no national or provincial level Farmers Organisations which can have any influence on agriculture, agricultural production, processing and marketing. The Farmer Organisations are essentially small groups of around 50 to 100 farmers in a given area, and there are said to be about 15,000 such Farmers' Organisations, (FOs), in the country but very many of them are inactive, and where they are active to some extent, they are mostly concerned with making available govt. subsidies to the farmer. There are a few who help out in Water Management under some major irrigation schemes, but their roles are minimal and play only a government dependent role. More details of FOs will be provided in the main text.

In more recent times, the Government is encouraging the formation of **Farmers' Companies**, which would be registered under the Company Law, and it is presumed that these companies will assist farmers more than the existing cooperatives and the Farmer Organisations. It must be mentioned here that over the past two decades, the network of (MPCSS) Multipurpose Cooperatives, and Agricultural Farmers Cooperatives have gradually gone into slumber, with the MPCSSs concerned with consumer trade, and here too, concentrating on the various commodities provided by the Government under its many Welfare and Poverty Alleviation Schemes. Except for providing farmers with loans and at times subsidised fertilizer, many an MPCSS has had little to do with supporting the agricultural interests of their members. There are very few MPCSSs which buy member produce and help in either processing or marketing.

Another aspect of relevance in this regard is SAARC (South Asian Association for Regional Cooperation) and its SAPTA/SAFTA Programmes {South Asian Preferential Trade Agreement/Preferential Trade Agreement}. The South Asian Association for Regional Cooperation has been operating SAPTA - the South Asian Preferential Trade Agreement which has the long-term objective of reaching SAFTA, the Free Trade Agreement by 2001. Under the now functioning Preferential Trade Agreement, member-countries still have the possibility of restricting imports in sensitive items, which now act as a safeguard to protect farmer interests. Already many of the member countries have lifted import control restrictions on many items, and recently India relaxed controls in respect of a further 106 items. Once SAFTA is fully operative, it is hoped that the Region will be able, as a Regional Trading Block, to face up to the challenges of globalisation. However, that may be, within individual member-countries, there are serious concerns about the manner in which even SAARC SAFTA will affect the small farmer and agricultural production and its capacity to sustain the 70% of the population which is still rural. There are ongoing serious concerns with **Food Self-Sufficiency and Food Security** in the face of SAFTA and when this is coupled with the impacts likely under WTO arrangements, the farmer situation is likely to be seriously jeopardised.

Even in regard to Self-Sufficiency in Food and Food Security, there are new approaches being made, and one is still uncertain as to how decisions will be made and how these decisions will affect the farmer and his welfare. The FAO has listed Sri Lanka among the 86 Nations that have been defined as Low Income Food Deficit Countries (LIFDCC). Subsequent to the World Food Summit of 1996, the FAO is supporting a three-year project to develop a National Programme for Food Security. The project is in its first phase now and an emerging view is that there should be a new outlook on Self-Sufficiency and Food Security. With increasing population, diminishing resources and an emerging greater concern for environment protection, it is now argued that the old concept of Self-Sufficiency, where one country must produce all its food requirements, can now be substituted with the concept of Food Security, where one country need not produce all its food requirements, but can produce commodities which the

neighbouring countries do not have, export same, earn foreign exchange, and then proceed to buy your food requirements from surplus countries. How these concepts will go down with a population which is mostly rural and mostly dependent on paddy (rice) cultivation, is yet to be seen. In more recent times, when the weather was favourable, Sri Lanka has been able to produce over 85% of its Rice requirements, and has also been able to export fruit and vegetables, both fresh and in processed forms, but the deciding factor is 'weather' and all too often an EL NINO can have disastrous effects on food production. Recent attempts by big business joint ventures to set up Gherkin and Baby Corn Farms on an extensive basis, has met with farmer resistance both because of the claims these ventures will make in respect of water and other limited resources, and also by way of damage to the environment. This would necessarily mean that the traditional farmer will still try his best to safeguard his livelihood and still hope to increase his commitment to his farming activities and hope that self sufficiency will necessarily assure also Food Security.

The FAO Programme is in its first phase yet, and, is now concentrating on better water management, better yields, higher productivity, lower post-harvest losses and improved marketing.

One hopes that with these many ongoing activities, steps will also be taken to strengthen Farmer Organisations, both in the Cooperative and other sectors, and that the farmer will play a more dominant and more vocal role vis a vis his own welfare.

B. Response to the Questionnaire

1. ORGANISATION

THE SRI LANKA COOPERATIVE MARKETING FEDERATION (MARKFED)
No. 127 Grand Pass Road, Colombo-01400.

1.2 Registered on: March 01 1973

1.3 **Historical Background:** The present MARKFED is an amalgamation of two national level cooperative federations - the All-Ceylon Agricultural Producers' Union and the Ceylon Cooperative Consumers' Federation. These two Unions were in existence from the 1950s and were servicing the requirements of the member cooperatives in the respective sectors of the economy. However, in the early '70s the cooperative system in Sri Lanka underwent a drastic change of face, when the then Government decided to amalgamate various Cooperatives at various levels. These amalgamations were done with little or no consultation with the concerned cooperatives, their leaders or the membership. To enable the Government to carry out these amalgamation, a Special Cooperative Law, was passed in the Parliament - The Cooperative Societies' (Special Provisions) Act No: 35 of 1970, whose Short Title reads as follows: "An Act to make Special Provisions for the implementation of a scheme to reorganise the Cooperative Movement; in particular, for the dissolution of societies and the amalgamation of societies and for matters connected therewith or

incidental thereto." Under these provisions, the then existing 5,800 Multipurpose Cooperative Societies (MPCSs), and several consumer cooperatives, and 120 of their secondary unions were amalgamated into 371 large-size MPCSSs. Around the same time 450 textile handloom weavers' coops and 15 secondary unions were amalgamated into 41 large-sized textile societies. Further, 272 fishery cooperatives were amalgamated into 45 large-sized fishery cooperatives. Following on these amalgamation at the primary and secondary level, at the national level, the Producers Union and the Consumers Federation were amalgamated on 01.03.73 to form the present MARKFED.

The expectation at the time of the amalgamation was that the MARKFED would concentrate in helping its member-societies and their members in the field of agriculture, agricultural production, processing, marketing and exports, and that the Cooperative Wholesale Establishment, (CWE), would handle the consumer aspects. The CWE is a wholly Government-owned Corporation, and had been from the early '40s the principal importer and supplier of consumer goods. The distributive function was done by the network of primary coops and their secondaries.

During the early stages of MARKFED it certainly did play a tremendously important role in assisting member-societies and their members in most aspects of agricultural production, collection, sale, processing and even export. Unfortunately over the years, it has more or less, lost its bearings, and now functions more in the field of consumer supplies than agriculture.

1.4 Membership: Only registered cooperatives are eligible to be members of MARKFED. There are at present 311 member-societies which number includes more MPCSSs, but includes also several agricultural societies Betel-Growers' Societies, some Dairy Cooperatives, Tea Small-Holders' Coops, Vegetable Growers' Coops etc. but the majority would be MPCSSs.

1.5 The Bye-Law provides for the sale of shares to Government too, but in Sri Lanka, the Government has not bought any shares in any type of cooperatives. However, the Bye-Law provides for the nomination of two persons to the Board of Directors of MARKFED, by the Registrar, and it has been the practice of the Government to nominate two persons, and quite often, one such nominee also functions as the Chairman of MARKFED.

1.6 MANAGEMENT SYSTEM OF MARKFED

MARKFED has a General Body consisting of one delegate from each member-society. This General Body meets at least once a year. The main purpose of the Annual General Body Meeting is to receive the Audit Report, approve the Work Programme for the ensuing year and also to approve the Budget for that year. The General Body Meeting also provides the opportunity for the members to review performance and to bring out various proposals for better achieving the objectives of the Apex. As at present, in fact not

much has been achieved by the members to get MARKFED to play a more dynamic role, over the past several years.

The General Body also elects: 1) a Central Committee, and 2) the Board of Directors.

The Central Committee: The Central Committee consists of ONE Representative for each administrative district in the country, and are elected by the representatives from that particular District. There are around 25 districts, but today, because of the ongoing ethnic conflict, there are no representatives in the Central Committee from seven Districts. Today, the Central Committee consists of only 18 members, and is expected to meet as and when necessary, and to be a forum for discussing member problems and aspirations and to keep the Board of Directors advised about these matters. In fact, however, over the past several years, there is no evidence to show that the Central Committee has had any decisive influence over the Board or the activities of the organisation. The Central Committee is elected for a period of 3 years.

The Board of Directors: The Board consists of 11 persons, of whom 9 are elected by the members at the Annual General Meeting. Two are nominated by the Registrar, and in more recent times, selection of such Registrar's nominee has most often depended on political affiliations, rather than the capacity of such person to contribute to the effective performance of MARKFED. The Board is for a period of three years, and is expected to take on the overall responsibility of effectively managing the organisation. For this purpose, the Board meets at least once a month, but one cannot say that the Board performance has been exemplary. There is very little effort being made to get regular feedback from members, identify their problems and needs, to plan for the future and to regularly supervise the activities of the major functionaries in MARKFED.

At present MARKFED is operating five principal Divisions:

- Finance & Personnel
- Export
- Consumer
- Gasoline/Kerosene
- Transport

Each of the Divisions should be headed by an experienced Assistant Manager, and sometimes assisted by other executive staff. The Cadre has provisions for 11 executive level staff, but just at present, 7 of these posts are either vacant or held by acting personnel. In fact, the post of General Manager has been held in an Acting capacity for over three years.

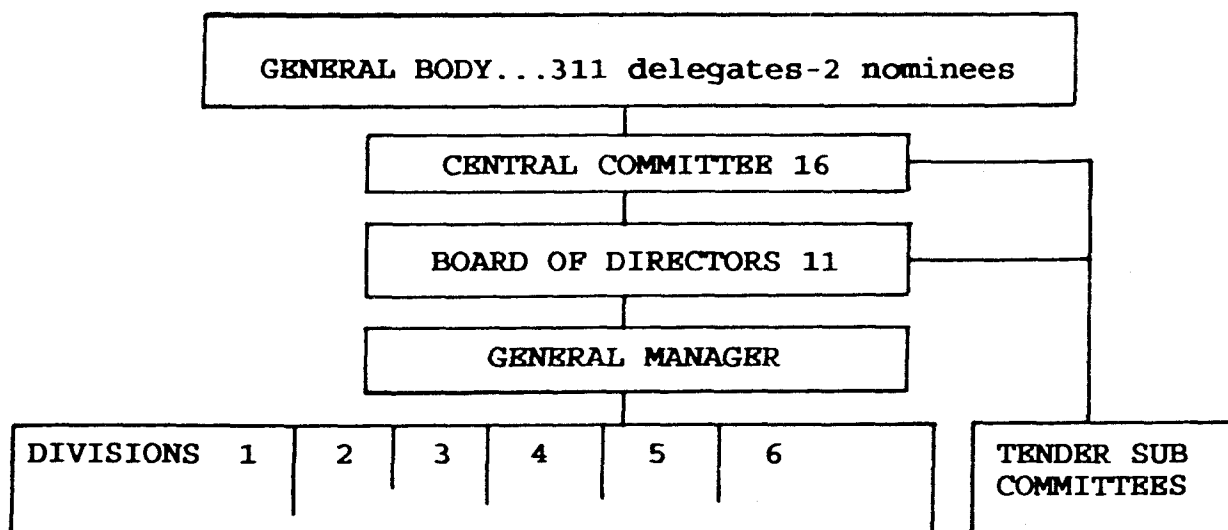
As will be seen from the Divisions within the organisation, there is no provision for the collection and sale of members' agricultural produce. The Export Division now concentrates only on the export of Betel-Leaf to Pakistan, and even here, since liberalisation, MARKFED has lost its share of the Market, from

around 70%, when the export was a Govt. monopoly to about 4 or 5% at present. Around 15 new private companies have now entered the market and have successfully pushed MARKFED into the last position. Apart from Betel Leaf, there was a time when the MARKFED has a network of Collection Centres, mostly in the vegetable growing districts and also a chain of sales outlets in Colombo and other major towns in the country. Today, all these have been closed down and there is hardly any collection of vegetable produce by MARKFED from the vegetable growers in mid and up-country locations. There was a time also when MARKFED exported also vegetables to the Maldives and some of the Middle-Eastern countries, but today it purchases its vegetable requirements from the principal vegetable wholesale market in the Pettah and supplies to the Hospitals where it still has a contract for supply.

The total staff strength of the organisation is 204, and all this staff, except for a few who function in a farm owned by the MARKFED, now operate only at the Head Office level.

In more recent times the MARKFED has set up a Marketing Complex close to the Cooperative Consumer Federation. This complex is called MARKFED CITY, and provides accommodation to member-societies to bring their produce to Colombo and to sell same within the Complex. This is of very recent origin and has as yet not got operative. Funds for this investment have been obtained on easy terms from the Registrar's Development Fund.

The Board of MARKFED has also set up several Sub-Committees to assist in several operations. The-Sub Committees now functioning are: Finance and Personnel; Purchase and Sales; Transport; Tender. These consist of members of the Board, and are assisted by the various functionaries and often get assistance also from the Registrar's Departmental sources. A rough Organisational Chart is given below:



1. Finance & Personnel; 2. Export; 3. Consumer; 4. Transport; 5. Gasoline. The Acting GM now overlooks most Divisions except Gasoline and Transport.

1.7 **Financial Situation:** The Audit of the Organisation is overdue by several years. At present the audit for the Financial year 1995 is under preparation, and has, as yet, not been released by the Registrar, and, therefore, has not gone before the General Body. Given below are approximate figures extracted from the 95 report now in preparation. (1 USD=SLR 63.00).

a. Total Working Capital : USD 2,500,000

(Note: The Maximum Credit Limit has been taken as Working Capital as the operations of MARKFED are mostly on loans from banks and the Registrar etc.).

b. Members Shares : USD 12,000

c. External Shares : NIL

d. MARKFED earns a Profit on its various trading accounts, but is running on an accumulated LOSS of roughly USD 200,000.

e. Subsidies etc.: When the Registrar makes soft loans out of his Development Fund, the Interest is at subsidised rates. Also when the Government has a programme for either purchase of particular produce or for the distribution of subsidised fertilizer etc. funds are made available at Subsidised rates.

f. The Rate of Interest is generally below 10% when the market rate may be even 18%. Period of repayment would depend on the type of loan and the purpose for which it is made.

2. ORGANISATION'S ACTIVITIES

2.1 Main Objectives of the Organisation. Bye-Law Provisions:

In Accordance with Cooperative Principles. The objectives are:

- to function as the Apex organisation;
- to help member-societies to achieve their objectives;
- to assist member-societies to implement their various production targets and projects;
- to be a Forum for discussion and to express views on behalf of the members and the Apex;
- to establish contact with members through their cooperatives and to assist both members and their respective societies to improve agricultural production, marketing, processing;
- to undertake exports and imports in respect of member produce and member requirements.....both wholesale and retail activities will be undertaken by the Apex.
- to do all other matters as are incidental and relevant to the objectives set out above.

The wide range of activities expected of the Apex include:

- assisting member-societies to improve their consumer trade, agricultural and animal husbandry activities; small scale industry, assist dairy farming, provide necessary merchandise and machinery to member-societies, process and store etc. and also to provide an efficient transport service to help members bring their produce to urban markets etc.
- The Apex is also expected to provide Consultancy Services to its members, provide publicity, conduct field studies and market research assist in training programmes for staff both of the Apex and of the member-societies; create a Fund from its profits to assist member-societies, and also to represent member society interests in various fora.

2.2 Major Activities of MARKFED

As already mentioned the major activity of MARKFED, just at present, is in the field of consumer trade where the MARKFED purchases consumer goods from the Open Market, or at times, imports from suppliers from abroad, and sells to, both members and to non members. Such sales have been around USD 1.5 million during '95. Another major activity is that of Gasoline/Kerosene sales, where MARKFED has a Station in the heart of Colombo, and sales are both to cooperatives as well as the general public. Sales in this sector in '95 have been around USD 900,000, and has brought in a net profit of around USD 70,000.

MARKFED has also imported Seed Potato on several occasions, but this venture has not proved useful due to heavy competition and also because sales to member-societies have been on Credit, and recovery has been a slow process.

Though, at one time, Betel-Leaf exports to Pakistan was a major activity, today it is only a very minuscule activity, with the major problem being lack of collaboration with the Betel-Leaf growing member-cooperatives, and the difficulty MARKFED faces in getting adequate cargo space in the airlines to Pakistan.

The Transport section now functions mostly to service the Apex's own requirements, and it is only rarely that they assist their member societies in this sector.

By and large, it can safely be said that MARKFED appears to be an Apex at national level, working in isolation, and performing functions which are not necessarily the priority concerns of the membership. There is today a national level Consumer Federation of Coops - CONFED, and both MARKFED and CONFED seem to be competing with each other in a very highly competitive sector, where often decisions are made not on price and quality, but on the basis of incentives offered to those in the field of purchasing. Further, though the meetings are held annually, there is hardly any ongoing communication and dialogue between the Apex and its members, and even where specific requests have been made

by the members at the annual meetings, little has been done to meet the needs.

3. Organisation's Relationship with the Government: Legal Status: MARKFED is a National Level Cooperative Federation registered under the Cooperative Law, and comes under the supervision of the Central Registrar. As mentioned earlier, it was a creation of Government, wherein the Government amalgamated two existing Unions at the National level to form the MARKFED. Till the liberalisation of the economy in 1977, MARKFED enjoyed certain privileges like an export monopoly in Betel-Leaf shared among two Govt. organisations, CONSOLEXP0 & CWE and the MARKFED, and during this period, it sometimes had over 70% of the share in the market. In the mid '70s it was also given permission to export vegetables, especially to the Maldives and also to the Middle-East, but all these privileges ceased to operate after the liberalisation of the economy after 1977.

3.2 Relationship on Activities: By and large, MARKFED now operates on its own initiatives, and even members are not a party to the ongoing activities in any committed manner. It is, more or less, an open market operation, and the functions undertaken are not necessarily what the members need, or have indented for. Many a member would like MARKFED to help out in their agricultural activities and help in marketing their produce, but all too often, MARKFED enters the scene only when the Government has a programme to purchase commodities like dried chillies, or green gram or some such under a guaranteed price programme. There have been several instances when MARKFED has come into the scheme at Govt. behest and ended up holding stocks which could not be sold off, as the market prices had dropped by the time they were about to sell.

In the present open market situation, it cannot be said that their MARKFED is dependent on Govt. If it really wants to be an active functionary in this field, there is a tremendous amount it can do, but somewhere down the line, it has become isolated from its members and now functions on its own as it were.

3.3 Human Relationship: The MARKFED, over its long history has had one or two occasions only when the Chief Executive was a person not of their own choice. Even in those occasions, the periods of tenancy by a Govt. nominee have been very short, and the persons seconded from the Cooperative Dept. were quickly reverted to the Department. Except for these isolated occasions the recruitment of personnel at all levels is the responsibility of the Board even today, the post of Chief Executive, the General Manager, is being held by a MARKFED employee in an Acting capacity. It is due to not to efficient performance at present, that MARKFED is unable to get its full complement of 11 Executive Staff, including that of General Manager. The salary scales and Cadre have not been up dated for quite some time. It is unable to attract capable persons because of its non performing image.

The Board, as mentioned earlier, consists of 11 persons of whom 9 are elected by the membership..the balance 2 are nominated by

the Registrar, and for quite some time, a Registrar's nominee has been the Chairman of the Board.

The MARKFED does not have its own training facility. It, however, gets its staff trained at facilities provided by the National Cooperative Council of Sri Lanka (NCC), or by the School of Cooperation, which is owned by the Government. It also uses the consultancy services made available through the Government-owned Sri Lanka Institute of Cooperative Management (SLICM).

3.4 Financial Relationship: The major source of Funding of the MARKFED comes through Banking sources e.g., the 1995 General Body approved borrowing sources and limits are as follows :

- Bank Loans for Trade	:	USD 33 million
- L.C.facilities/imports	:	USD 1.67 million
- Buy local produce/Registrar	:	USD 0.17 million
- Registrar Loans/MARKFED CITY:		USD 0.08 million
- Other Creditors	:	USD 0.25 million

All the above provide for borrowings, and it is not too often that full use has been made of these credit facilities.

4. POLITICAL RELATIONSHIPS

4.1 There is no political patronage of a constant nature. Every Govt. in power tries its influence into the cooperative sector, and by using the Bye-Law facility for Registrar's nomination to the Board gets a person considered loyal to the party in Power, to take on the responsibilities of Chairman, and this helps to influence activity to suit Govt. plans and programmes.

All too often, because of the sad plight of the farmers in various sectors, the Govt. initiates various programmes like guaranteed price for selected commodities etc. and then the organisation is used to implement such policy and programmes, even if, at the end, the organisation loses by these transactions. This willingness to comply with Govt. requests may also mean that the incumbent Chairman will be sent out on international conferences etc.

4.2 Elections to the Central Committee and the Board are done at an Annual General Meeting, often by secret ballot. Elections are held once every three years.

4.3 No. Not as something particular to the organisation, but any Political Manifesto would have reference to activities on Agriculture and so the activity would get mention, but not the organisation.

Before the liberalisation of the economy, especially during the period of the '70 to '77 Government, which was a closed economy with import substitution as the base for activity, there would be reference to various types of activities to be carried out through cooperatives, but even here there would be no reference to a particular cooperative organisation.

1.A. **Farmers' Organisations (FOs)**: These are organisations of small groups of farmers, in a given village level administrative area, and are registered with the Commissioner of Agrarian Services under the Agrarian Services Act. Registration with the Commissioner gives the organisation a legal personality. The main purpose of these organisations is to get the farmers to work together as a group to find solutions to their many problems. A farmer who wants to become a member has to buy a share, which is generally around USD 1.5, and one of the aspects of the FOs is to encourage farmers to save. They also make arrangements for loans for cultivation purposes, either from the FO itself or through the Banks. FOs also make available to their members subsidised fertiliser and concessional rate loans, when the Govt. has any such scheme in operation. In the areas under irrigation schemes, the FO also undertakes certain aspects of water management, under the supervision of the irrigation authorities. By and large FOs are small groupings of farmers at village level, generally consisting of around 50 to 100 members. There are said to be about 15,000 FOs in the country, but most are either inactive or dormant.

The following details will give a correct picture of these FOs.

1. TELDENIYA VILLAGE HEADMAN DIVISION:

- Number of FO : 30
- Number of members : 1089 Males/314 Females
- Shares etc. : USD 1200
- Recent activities: Some training classes held, with the assistance of the technical personnel of the agricultural department, on fertiliser usage/insecticides/weedicides, how to reduce costs and to increase productivity.

2. GALAGEDERA VILLAGE HEADMAN DIVISION:

- No. of FOs : 54
- No. of Members : 1150 Males/1687 Females
- Shares etc. : USD 6000
- Recent Activities: Training classes in the use of organic fertiliser, weedicides/insecticides.

3. WATTEGAMA VILLAGE HEADMAN'S DIVISION:

- No. of FOs : 47
- No. of Members : 523 Females/1241 Males
- Shares etc. : USD 1020
- Recent Activities: Making arrangements for cultivation loans and fertiliser.

The Farmers' Organisations are still in their very rudimentary stages of development, and most are inactive. There are some moves in some districts to form Secondary Unions at district level, and these in time are expected to take on the functions

of a supporting Bank for the FOs. Just at the moment there are no plans for the setting up of a national level FOs organisation.

1.B Farmer Companies: In the Ministry of Agriculture, there are moves now to set up Farmer Companies, which will be registered under the Company Law and it is hoped that these Companies will be more viable organisations with adequate resources, and would be able to raise larger loan facilities to undertake better investments in the field of agriculture. The latest information is that there are 30 such companies now in formation, and would soon become operative. One is never too sure of how these new ideas will eventually help in improving the lot of the farmer.

In the early stages of liberalisation of the economy, in the early '80s, several companies were set up under the name of **Export Promotion Villages (EPVs)** many of which brought new land under GHERKIN cultivation, mainly for export. Though in the first few years there was some visible advantages accruing to the farmer at the village level, a while later it was found that powerful middlemen had got control, and today many of the EPVs are non-functional, with many a villager saddled with heavy burdens of unpaid loans.

Outside of the cooperative sector, there are no national level organisations of farmers, who could have any influence in the decision making process. MARKFED, in the cooperative sector, has the potential for such activity, if only it will strengthen itself by improving its collaboration and contact with its member-societies and their members, and if they too are brought in for greater dialogue and feedback and their advice sought in the decision-making process. They would definitely have to reorient their activities giving the farmer pride of place and the priority activities would necessarily have to be to ensure farmer welfare and progress.

5. ORGANISATION'S CONCEPT OF FOOD SECURITY

5A(i) National Strategy: The Agricultural Policy of the Government, envisages the development of an Agricultural Strategy based on the following:

- removing institutional and policy obstacles which retard profitability and which restrict investment in the agricultural sector;
- government will implement selective schemes to ensure the availability of subsidised fertiliser to the small farmer, concessional credit schemes and the reduction of import duties on agricultural equipment;
- extension services will be strengthened;
- milk production will be doubled with the assistance of foreign collaborators, where necessary;
- the government will seek wider market access for

- agricultural produce within the Region, and will work towards the removal of existing barriers in this regard;
- the govt. will seek Foreign Direct Investment (FDI), to support infrastructure development like power, road access, water management etc.
 - the government would maintain both bilateral links and Region wide links and will work towards the reduction of tariffs and quantitative restrictions gradually except in sensitive items.
 - provide a five year tax holiday in respect of investments which will introduce advanced technology both for agricultural production and for processing and marketing;
 - the Asian market is said to be consisting of over 1.2 billion people of whom around one-third are said to be affluent. The Government hopes that farmers can be trained to produce commodities which are required by others in the Region, and which will bring in the scarce foreign exchange to the country;
 - the government will ensure a stable exchange rate, and rapid depreciation of the Rupee is not expected;
 - the government will undertake selective State intervention to ensure stable growth for the farmer;

5A(ii): Even after liberalisation of the economy, the Government has consistently maintained certain guaranteed prices for rice, and at times also for such commodities like dried chillies, green gram, cowpea etc.. In fact, when the last rice crop was coming in, there was much discontent among farmers about the prices operating in the open market, especially as the Government-owned Paddy Marketing Board (PMB) had ceased to function, and it was the PMB which ensured sufficient purchase at guaranteed prices and thus stabilised the price for the farmer. When farmer concerns were brought to the notice of the Government, the Government made arrangements through the Cooperative Wholesale Establishment (CWE), to buy paddy, at a Government prescribed price or higher, and also assisted the CWE to set up rice milling plants, and thus ensure both a fair price to the producer, and also rice at reasonable price to the consumer. Similarly, the government has taken action also to stop the import of commodities like potatoes, big onions and chillies, around the time the crop was coming in, but there have been situations where delayed actions caused quite some losses to the farmer.

Whether the same approaches will be operative with the now ongoing liberalisations under SAARC/SAPTA and future SAFTA, one is unable to predict with any confidence.

5A(iii): **The role of the organisation in food security issues:** The short answer to this query is NO. The MARKFED is unlikely to play any vital role, in its present form in the field of food

security. But it is my view that if efforts are made to get MARKFED member oriented and to work towards the satisfaction of the agricultural needs of the members, MARKFED can play a very dominant role, especially as, with the SAPTA leading to many a restriction being taken off, more and more items by many a country, MARKFED could be the catalyst to organise the farmers in these sectors and assist them with both production advice and also by processing and marketing and by export.

5.B ORGANISATION'S VIEWS

Long-term and short-term food export/import issues; Entry of multi-nations; and Producing Food for Others: As mentioned earlier, neither MARKFED nor any other farmer organisation has so far given any thought to these ongoing problems. The moves taken are likely to be ad hoc, and depending on the attitudes of the government in each case. With MARKFED's splendid isolation from the membership, and with its pursuit of consumer sales, as against meeting the needs of the farmer members, it is very unlikely that it could muster any support either to resist multinational/joint venture investments, or to successfully undertake food production in new commodities and prepare them for export.

Just at present, with SAARC/SAPTA/SAFTA, on stream, and with many of the SAARC countries lifting restrictions of imports on many items, there are increasing possibilities for MARKFED to assist the farmer-members in increasing their income e.g., India has lifted restrictions on around 106 items recently, among which items are items like spices, arecanuts, coconut and coconut products etc., and these are areas where the small farmer is deeply involved in, and, where an institution like MARKFED can help in both collection, processing and marketing both locally and abroad, but hitherto, no initiatives have been taken by MARKFED, while the private sector is already gearing itself to get the best benefits from the emerging situations.

It would take a tremendous level of reorganisation and pushing, especially by the members, if MARKFED is to play a meaningful role to benefit farmers from the ongoing opportunities arising from liberalisation etc.

5C & 5D WTO NEGOTIATIONS & LIKELY IMPACT: The general impression among many in the developing countries who have for long been associated with UNCTAD and GATT, is that the WTO is a power block with the leadership of the USA and the European Union and consisting of the developed countries called G-8. The WTO emerged from the Uruguay Round at the insistence of the USA/EU, and many a developing country has become a party to WTO due to various expectations, especially support from World Bank and IMF, to help them out with their day-to-day financial needs. As an outcome of WTO, the developed countries would withdraw the hitherto existing preferential treatment, hitherto available to developing countries, but would, at the same time, expect greater access to developing countries markets.

Many a developing country hoped that the WTO would provide them with greater security in their negotiations and disputes, but the developed countries often resorted to unilateral action to settle disputes, thus leaving the developing countries to fend for themselves. Besides these difficulties, many a developing country has found that the WTO tries to include non-trading aspects into their stipulations, like child labour, women's rights etc. thus putting many a developing country into difficulties to find access to their traditional markets. A further complication that arose is the effort made in Singapore to include also an item to explore the possibilities of a Multilateral Agreement on Investments, which would, in effect, mean that restrictions prevailing at present like - disallowing foreign investment in certain sectors; requirements for local participation in investments; limitations on domestic sales etc. would have to be overlooked and foreign investment invited freely. In the development process, many a developing country in Asia supported indigenous business through preferential treatment and they welcomed foreign investment, but on their own terms. The present efforts of WTO would seriously affect the decision-making powers in these matters.

In the developing country situations, though exports are vital, there is a need to safeguard some elements of Import Substitution, as this helps employment, conserves foreign exchange and provides quite some stimulus to economic growth.

In the Sri Lankan situation, the projections show that there is likely to be a population increase of around 30% by 2020, and that the URBAN population may go up to about 40%. The present rural population is around 75%. All this would mean that there would be a considerable increase in demand for food, both because of the increasing population, and because of the rising incomes attendant on economic growth. Just at present, perhaps around 85 to 90% of the rice requirements are grown locally, and is able to provide an average of 2,200 calories per day on an average to the population, but with increase in population and the migration to the cities, there would be a need for increased productivity, through better seed and cultural practices, and better post harvest management. At the same time, there would be a need to increase domestic production of sugar, pulses, fish, milk etc, if the country is to maintain stable growth. In the food sector, there is an increase in demand for wheat and wheat products, and the Sri Lanka climate does not favour wheat production. Hence arises the need for considerable reductions in the import of commodities like sugar where at present 20% is grown locally. Similarly, in regard to pulses, 60% is imported.

WTO conditions may effectively prevent such selective growth, and liberalisation on a free basis would necessarily mean the flooding of the local market with surplus commodities from several developed countries, leading to considerable unemployment and increasing poverty, and social unrest.

Another aspect of relevance is that in the effort of the country to increase Milk Production with assistance from National Dairy

Development Board of India (NDDB-India), there is need to increase the availability of feed grain, and today, even with the limited amount of milk production, most feed grain is imported. Here again is an area for increased domestic production, but WTO conditionalities may result in "dumping", thus preventing local growth.

Another aspect of concern in regard to agriculture in Sri Lanka, is the very high cost of Fertiliser. The real challenge that Sri Lanka faces in agriculture is to maintain its competitiveness in the face of cheaper imports which imports may be actively backed by the consumer faced with ever increasing cost of living. To improve its competitiveness, one of the aspects under consideration is the increasing use of organic fertiliser and organic weedicides and insecticides. In the world market, all these items are continuously increasing in price, and unless adequate measures are taken for local production, especially organic, competitiveness in the field of agriculture will decline, and may result in "dumping".

Looking back on the many efforts made to achieve Self-Sufficiency in Food, especially Rice, over the past many years, it would appear that the principal factors that helped such efforts were the expansion of land under paddy cultivation, especially with the accelerated Mahaweli Development Scheme; provision of subsidised fertiliser, and the guaranteed price support provided by the government. The availability of new lands for further expanding paddy (rice) cultivation is rapidly declining, and the increase in production will have to depend on increased productivity, with the use of better seed, better fertiliser, and better cultural practices. Unless some element of State intervention is possible in this regard, a WTO-supported free market would hardly be of assistance. Even in regard to the aspect of Guaranteed Price for Rice, from the experiences of the last harvest 1997-98, it can be seen that no amount of government stipulations are of use, unless the government has its own machinery for purchase. Till recently, the government's guaranteed price programme was backed by continuing purchases by the Paddy Marketing Board (PMB), but this organisation is no longer an effective performer, with the result that only about 10% of the crop was collected by the government through the hastily diverted Cooperative Wholesale Establishment (CWE) which is essentially a consumer-oriented government corporation. Any efforts towards Self-Sufficiency & Food Security would necessarily mean that the Government would have to play an effective role, and that mere dependence on the liberalised market will not help.

Against this background, one has to consider the effective roles that Regional Groupings like SAARC/ASEAN/APEC etc. can play in ensuring stable growth for developing countries like Sri Lanka. In the face of the dominant role that WTO is likely to play in the future, it must be accepted that Sri Lanka, by itself, would not be able to safeguard its growth efforts unless backed by the combined strength of the Regional groupings. It is hoped that within the Regional Groupings there would be a more liberal

approach to restrictions of imports, thus enabling the member-countries to work towards stable growth. However, though WTO works on a basis of consensus, it is very likely that the capacity of unequal to influence "consensus" will be very limited, and that is why it is hoped that Regional Groupings, such as SAARC (South Asia Association of Regional Cooperation), will strengthen the hands of individual countries to face the challenges of globalisation and the dominating influence of WTO.

However, to back up the capacity of Regional groupings to meet global challenges, it would be most urgent for farmers, either through Cooperatives, or other organisations, both at village and national levels, to establish close collaboration with each other and to set up an effective forum to voice their opinions, and also take active steps to consolidate the village level and other intermediate level farmer organisations and thus ensure their own stable growth and safeguard their self-sufficiency and Food Security interests.

"...Sri Lanka had gained an international reputation for raising the living standards of the poor, but under adjustment, poverty has returned. The removal of fertiliser subsidies and the scaling down of government advisory and crop-buying services have worsened the outlook for rice farmers. "My harvest doesn't cover the costs of production", says farmer Kamal Ranasinghe. "We used to grow two rice crops a year but we have stopped growing rice in the lean season because the income from paddy has decreased. We used to have agricultural extension services. Now there are only two advice centres left for over 200 villages." The General Secretary of the National Christian Council concludes, "Structural adjustment has led to widespread malnutrition, women skipping meals and feeling faint in the fields, children passing out in school assembly". (Source: DEEP FAO 9/95).

07 THAILAND

Prepared by Mr Pradit Machima
former Advisor, ICA Regional Office for Asia-Pacific
& former Director, Cooperative League of Thailand

I. AGRICULTURAL COOPERATIVE FEDERATION OF THAILAND LIMITED (ACFT)

1. ORGANISATION

1.1 Name and full address of the responding organisation:

The Agricultural Cooperative Federation of Thailand Ltd.,
79, Ngamwongwan Rd. Ladyao, Chatuchak, Bangkok 10900
Tel : 561-4590-6, 561-4567 Fax : 579-5101

1.2 Year of establishment: October 1st, 1975

1.3 Brief historical background of the organisation: ACFT is a Cooperative Federation established according to the Cooperative Society Act, BE-2511 (1968) as a National Agricultural Cooperative Federation for the country cooperative and is supervised by the Cooperative Promotion Department (CPD), Ministry of Agriculture and Cooperatives.

The organisation was established on May 30, 1952 as "The Wholesale Cooperative of Thailand Limited" which was registered as "The Trading Cooperative Federation of Thailand" on August 22, 1969. Finally, in order to operate more effectively as an agricultural institution, the regulations amendment had been made and then registered as "The Agricultural Cooperative Federation of Thailand Limited" or ACFT, since October 1, 1975.

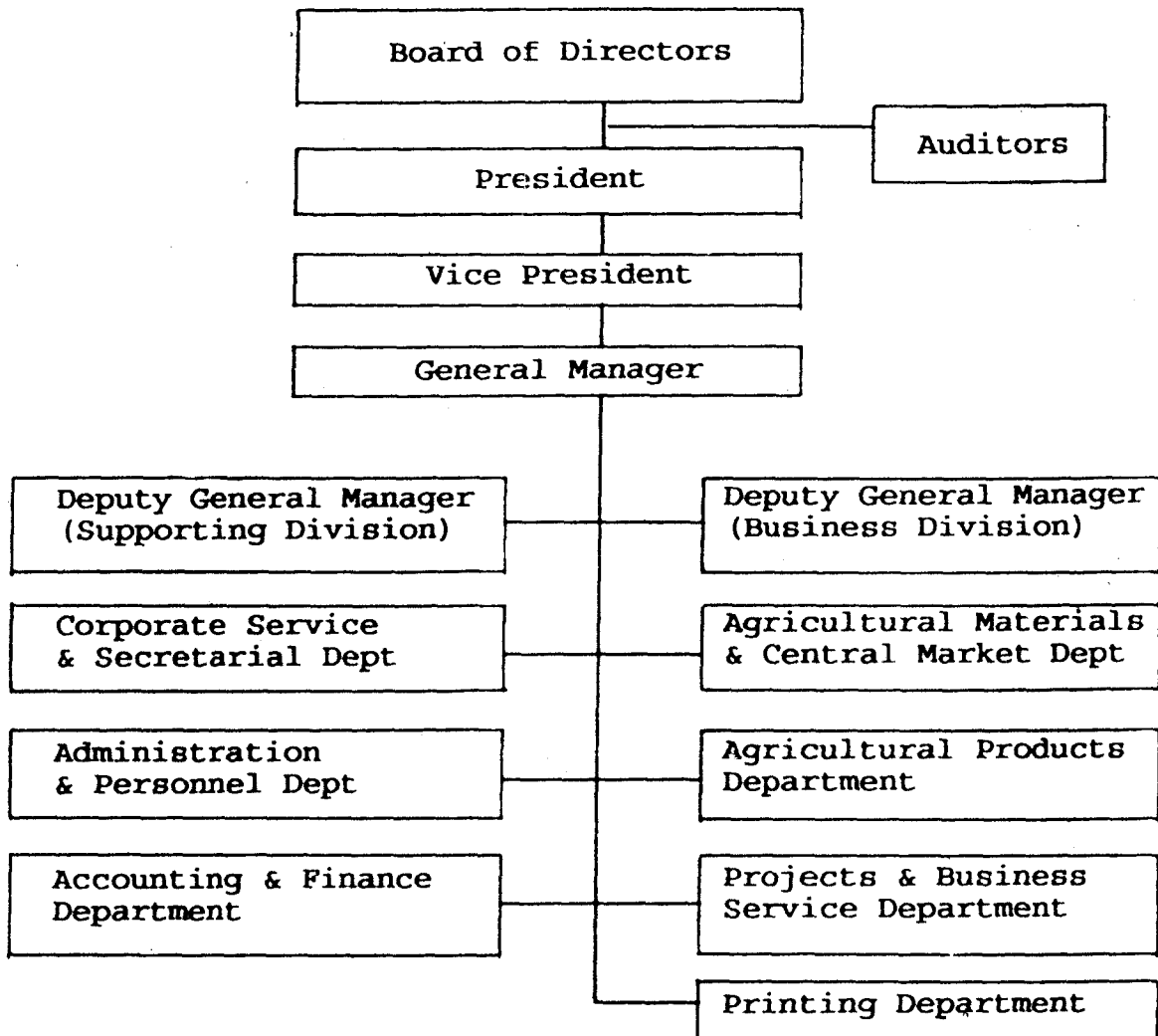
1.4 Number of current (1996 December) individual members or affiliates:

Presently ACFT has 76 affiliates (76 provincial federations of agri-coops)

1.5 Type of Membership: All of them are Provincial cooperative federations which, in turn, have about 3,000 primary agricultural cooperatives at district level as members.

1.6 Management System of the Organisation: An organisation chart of the Federation is reproduced below:

ACFT ORGANISATIONAL CHART



Administration and Management: ACFT undertakes business activities and services at reasonable fees to serve the needs of member-cooperatives by means of purchasing, selling, giving guidance and solving problems or by promoting any activity that maximizes the productivity of the members.

The Board of Directors appoints a General Manager, Deputy General Manager, Department Manager and a number of staff to administer and manage each department. Presently, ACFT activities are divided into 7 departments comprising of the following:

Business Division

1. Agricultural Materials and Central Market Department
2. Agricultural Products Department
3. Project and Business Service Department
4. Printing Department

Support Division

5. Corporate Service and Secretarial Department
6. Administration and Personnel Department
7. Accounting and Finance Department

1.7 Financial Situation of the Organisation as in December 1996 (in US Dollars)

- a. Total Working Capital : *US\$3,625,158. (90.629m Baht)*
b. Member's share : *US\$ 372,640 (9,316,000 Baht)

(According to the regulation, ACFT would issue shares to members who had to buy at least 100 shares at par value of *(100 Baht) US\$ 4.0 per share when they first become ACFT's members. At present ACFT has all together 93,160 shares).

- c. External shares (e.g.government): None
d. Earning Profits/Incurring losses: *US\$1,611,051 (B 40.44m)
e. Receiving subsidies : No
*calculated Rate : 25 Baht per 1 US Dollar

Total Working Capital in 1996 was as follows:

Share	...	Baht	9.3 m.	=	10.3%
Reserves	...	Baht	20.4 m.	=	23.1%
Net Profits				=	Baht 40.4m = 44.6%
Others	...	Baht	20.0 m.	=	20.2%
Total	...	Baht	90.6 m.	=	100.0%

2. ORGANISATION'S ACTIVITIES

2.1 Main objective of the organisation: The objectives of ACFT are as follows:

1. To encourage social development in terms of education, health, and social thought to achieve a peaceful society;
2. To act according to the laws regulating cooperatives;
3. To act according to the ACFT regulations and principles.

ACFT Objectives: ACFT has the right to initiate business partnerships with member-cooperatives and other cooperatives which have been described in ACFT articles approved by the Annual General Meeting (AGM).

2.2 Outline of Major Activities of the Organisation:

Major Volume of Business of ACFT in 1996

Agri Materials & Central Market Dept	:	US\$ 25.94m	=	64.3%
Agri. Products Department	:	US\$ 1.46m	=	3.6%
Project & Business Service Dept	:	US\$ 11/12m	=	27.6%
Printing Dept	:	US\$ 1.82m	=	4.5%
Total	:	US\$ 40.34m	=	100.0%

Agricultural Materials and Central Marketing Department: The Agricultural Material and Central Market Department is responsible for seeking production areas or acting as a selling agent of agricultural materials, equipment such as fertilizers: Sun brand, government fertilizers support to farmers, insecticides, agricultural machines and every factor which represents as influence on agriculture. This department also conducts studies and marketing surveys, and acts as the representative or trade agency for marketing purposes. (Total business in 1996 was Baht 648.41m or US\$ 25.94m).

Agricultural Products Department: The Agricultural Products Department is responsible for purchasing agricultural products at standard and reasonable price from member-cooperatives then sell to cooperative members and other customers (e.g., collecting of paddy to produce ACFT milled-rice). Also, the department is responsible for international trade representation to promote the export of agricultural products. (Total business in 1996 was Baht 36.56m or \$ 1.46m).

Project and Business Services Department: The Project and Business Services Department is responsible for organising and implementing projects to expand the service business. Presently, the services can be classified as printing, agricultural business, contract initiation between customers and ACFT, document inspection and monitoring the work of customers using ACFT services (Total business in 1996 was Baht 278.05m or US\$ 11.12m).

Printing Department: Printing Department is responsible for obtaining printing work, quality and quantity control of printed materials according to the contracts signed with clients, providing printing services such as documents and government bulletins, selling cooperative forms used in general, selling office equipment. (Total business in 1996 was Baht 45.44m or US\$ 1.82m).

Future Plans: ACFT has been emphasizing on expanding business to the four regions of Thailand: Central, Northern, North-Eastern and Southern Region. At present, some projects for the Northern region have been started in Chiang Mai Province:

1. **Central Cooperative Market in the Northern Region:** To collect agricultural product from member-cooperatives in the Northern region by direct buying-selling method, hence, bypassing the middlemen.

2. **Warehousing:** To store fertilizers and agricultural produce in the Northern region.

3. **Cold Storage:** To receive delivery of fruit and agricultural produces in the Northern region.

4. **Dry Facilities House:** To dry fruit during in-season in order to control the price of over-supply fruits in the Northern region.

5. **Gasoline Station:** To sell gasoline to member-cooperatives and had purpose to be in Chiang Mai Province.

6. **Commercial Building:** To serve members and general public in the Northern region.

Business Joint Venture: In 1969, ACFT decided to have joint venture investment for the purpose of trade promotion between Thai and Japanese Cooperatives, establishing TJC Chemical Co., Ltd. ACFT holds 51% share and Japanese Cooperative holds 49% share with the capital investment of 10 million Baht. The joint venture company manufactures high quality insecticides and sells to member-cooperatives at reasonable prices.

3. ORGANISATIONS'S RELATIONSHIP WITH THE GOVERNMENT

3.1 **Legal Status of the Organisation:** ACFT is a Cooperative Federation established according to the Cooperative Societies' Act, BE-2511 (1968) as a National Agricultural Cooperative Federation for the country cooperatives and is supervised by the Cooperatives Promotion Department, Ministry of Agriculture and Cooperatives.

3.2 **Relationship and Activities:** Normally ACFT engages in business in response to members' needs as well as other business which will result in the growth and success of ACFT and its members. There are some projects which ACFT carried out on the initiative of the government such as "Production Credit and Marketing Linkage Programme for Rice" which was initiated in 1981 but the consequences or whether they are profitable are totally ACFT's responsibility.

3.3 **Human Relationships:** As ACFT has its own rules and regulations, it is independent in managing and directing its own organisation. It is free to select and appoint all personnel including the chief executive officer. Board is democratically directly elected from among the members.

As far as the internal staff training is concerned, they normally make use of other institutions such as the Department of Economic of Cooperation, Faculty of Economics, Kasetsart University.

3.4 **Financial Relationship:** Major source of funding of ACFT is the shares which were issued to members and the profit gained from business activities. ACFT has not received any government contribution nor borrowed from any open market. Hence, there is no legal or other problems in raising the needed working capital.

4. POLITICAL RELATIONSHIPS

4.1 Does the organisation receive any political patronage?

No. ACFT receives no political patronage.

4.2 How are the elections in the organisation conducted and with what frequency?

Following the Cooperative Principles and practices, ACFT run its business operations and management through its Board of Directors. Members of Board of Directors are elected by members at the Annual General Meeting (AGM). Elections are held every two years. The manager and staff of the organisation are employed by the Board of Directors. The government assists only in giving advice and guidance to support the operation and management of the federation.

5. ORGANISATION'S CONCEPTS OF FOOD SECURITY

5.1 The National Strategy: The agricultural sector has an important role in contribution to economic growth. It has been a major source of food supply, farm workforce and employment generation, national income and foreign exchange earnings. However, as the non-farm sectors, namely industry, has been growing at a rapid rate during the past decade, agriculture has gradually decreased its importance to the share of economic growth. Despite this, agriculture retains its vital role in ensuring national food security, as well as being the source of labour force to facilitate growth of the non-farm sectors, particularly the agro-industry.

In order to help farmers, the crop insurance is implemented by the government. As an organisations engaged in the agriculture, ACFT is to be a centre for gathering and marketing members' products and commodities both locally and internationally including giving guidance on agricultural technology. Hence, ACFT helps in increasing the members' bargaining power to receive better prices for their products.

5.2 Organisation's views on:

1. Long-term and short-term food export/import issues: Thailand is an agricultural country. Main agricultural export items are rice, tapioca, sugar, shrimps, fish products, chicken and canned food. Hence, there is no need to import food into the country except dairy products in the next 10 years.

We strongly believe that Thailand can continue exporting rice, tapioca, sugar, shrimps, chicken and canned food for a long period of time, especially rice because Thai Rice is of high quality and greatly demanded by neighbouring countries such as Singapore, Malaysia, Hang Kong, China and Taiwan.

2. Entry of multi-national companies in food business: Not in a short period of time.

3. Producing food for others: Yes. It is possible if there is a contract buyers and a joint venture.

5.3 Your views and stances to WTO's Agricultural Agreement Negotiations which are likely to commence in 1999.

I think the concept WTO's Agricultural Agreement Negotiations is good, but the chance of success in 1999 may not be very bright.

Some of world powers who export agricultural products may not support it. It may take some years to succeed it. If it succeeds it will be very useful for developing countries both exporters and importers.

5.4 In case WTO's Agricultural Agreement Negotiations succeed, in your own views, what kind of influence/damage your country and the organisation will suffer from it?

Rice is the main agricultural product and the staple food of Thailand. It is also a main export items of Thailand and will remain so far a long period of time. So, there will be no influence on Thailand or the organisations on rice production and rice export. Instead it may help strengthen the position of ACFT in rice which is greatly demanded by foreigners and the prices are competitive.

It might have some small damage on the production and the export of tapioca and shrimps for the country as a whole, but not on the organisation. The ACFT does not have any business activity in these two items.

II. THE DAIRY COOPERATIVE FEDERATION OF THAILAND LIMITED

1. ORGANISATION

1.1 Name and full address of the Organisation:

THE DAIRY COOPERATIVE FEDERATION OF THAILAND LTD (DCFT)
12, Krung Kasem Road, Kwaeng Watsampraya, Theves,
Bangkok 10200
Tel and Fax No. 66-2-2810098

1.2 Year of Establishment: 1985

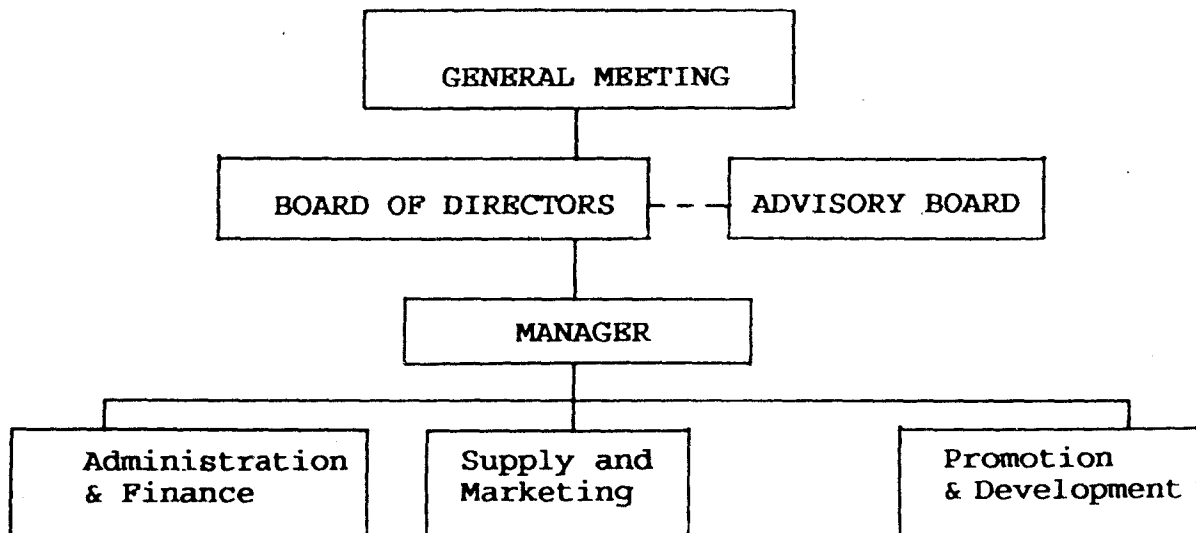
1.3 Brief historical background of the organisation: The Society was formed as a federation of dairy cooperatives on Oct 28, 1985. Later on it was re-registered as "The Dairy Cooperative Federation of Thailand Ltd. (DCFT)" on August 28, 1987.

1.4 Number of current (1996 December) individual members or affiliates: 57 Primary Dairy Cooperatives

1.5 Type of membership: All of them (57) are primary dairy cooperative societies organized at district level in different parts of the country. Total individual members of these 57 societies are around 17,500.

1.6 Management System of the organisation: The society consists of members, Board of Directors and employees. The members constitute the general meeting. The general meeting elects the Board of Directors. Board of Directors is responsible for the formulation of cooperative policy and decision-making, as well

as the selection and the appointment of a manager. The manager is responsible for the entire operations of the cooperative under the guidance and supervision of board of directors. The organisational structure is given below:



1.7 Financial Situation of the organisation as of December 1996 (in US Dollars)

a. Total Working Capital	:	US4 98,940
b. Members' own share	:	US\$ 20,520
c. External shares (e.g. government)	:	None
d. Earning Profits	:	US\$ 6,085
e. Receiving subsidies	:	None

2. ORGANISATION'S ACTIVITIES

2.1 Main objective of the organisation: Main objectives of the society are:

1. To collect raw milk from member-coops for processing;
2. To negotiate with milk buyers or processing plants on behalf of member-cooperatives to get higher prices;
3. To provide feedstuff, tools and equipments for milk production to member-cooperatives;
4. To give education, training and technical advice to cooperative leaders and staff; and
5. To promote dairy cooperatives to increase milk production throughout the country.

2.2 Outline of major activities of the organisation: Main activities of the federation at present are two: Promotion of milk production and farm supply.

1. **Promotion of Milk Production:** Milk production in Thailand is low. Total production is estimated at 400,000 tons a year or around 60% of the total consumption. Out of this 250,000 tons or 62.5% of total production is produced by 110 dairy cooperatives. Thus, it is the duty of the Federation to educate and motivate farmers to form up more dairy coops in order to meet the growing needs of dairy consumption. And at the same time it can help increase self-employment and increase earning opportunity among farmers as well. Through this experiment it is realized that dairy farmers have regular and higher income and better standards of living than other types of farmers.

2. **Farm Supply:** The Federation will provide farm supplies according to the member's needs. In general it provides animal feeds, farm tools and equipments for milk production to member-cooperatives. The business activity of this section is very small, only US 4230,000 in 1996. Because the Federation does not want to make profit out of the members sacrifice. Instead, it helps member-co-ops negotiate and buy directly from the feed mills or supplies at lower prices.

3. ORGANISATION'S RELATIONSHIP WITH THE GOVERNMENT

3.1 **Legal Status of the Organisation:** Originally the organisation was organised and formed by primary dairy cooperatives through the initiative of the Cooperative Promotion Department (CPD). It was registered on October 28, 1985 under the Cooperative Society Act BE-2511 (1968). The Government does not give any financial support or privilege to the Federation, except technical support such as education and training. It functions as an ordinary firm or business organisation without enjoying any monopoly or privilege.

3.2 **Relationship on Activities:** Business activities of the federation are carried out in accordance with the decisions of the Board of Directors which are based on the needs of member-cooperatives and market situation.

The Federation acts on its own initiative and on its own strength both administrative and financially. It does not depend on Government support except on technical support such as for education and training. So far there is no legal problem on its operations, unless it does not follow the rules of the Cooperative Law and the Coop Bylaws.

3.3 **Human Relationship:** The organisation is free to select and appoint all and any of its personnel including its chief executive officer (manager) as cited clearly in its bylaws.

No secondment from Government has ever been practised and there is no need to do so. That is why it can function independently.

The Board of Directors is democratically elected from among the members. At present, there are 15 members on Board of Directors. The Board is elected every year.

Internal staff training is arranged through the Cooperative League of Thailand (CLT), the Cooperative Promotion Department (CPD) and the University.

3.4 Financial Relationship: The major source of funding of the organisation is drawn from its own funds, coop shares, reserves and undistributed profits.

No contribution from government has been made or received so far. Borrowing from open market in 1996 was US\$ 40,000 or about 40.44% of the total working capital. No problems encountered in raising the needed working capital.

4. POLITICAL RELATIONSHIPS

4.1 Does the organisation receive any political patronage? No

4.2 How are the elections in the organisation conducted and with what frequency?: Members of Board of Directors are directly elected by members who attend the Annual General Meeting (AGM). Then all 15 members of the Board will elect its office-bearers directly. The election of the Board of Directors is done annually.

4.3 Does the organisation or its main objective figure in any of the political manifestos? No

5. ORGANISATION'S CONCEPTS OF FOOD SECURITY

5.1 The national strategy on:

1. **Securing the interests of the farmer-producers, procurement, post-harvest technology, marketing:** Although at this moment the organisation has not done much in securing the interests of the farmer-producers on procurement, processing and marketing. But in the long run it is aiming at doing all activities mentioned above. At present it encourages member cooperatives and other dairy cooperatives to help increase milk production to meet the country's needs. And at the same time to help member-cooperatives to get adequate supplies at lower prices and sell its products at higher prices through negotiation and bargaining power.

2. **Fair remunerations to the producers:** Yes. In the long run the organisation plans to encourage member-cooperatives in different regions to form up their secondary federations to enable them to set up processing plants. By doing so, farmers can secure higher prices and at the same time to lower costs of production, transportation etc.

3. **The role of the organisation in food security issues:** The domestic milk production is estimated at 400,000 tons a year or 60% of the country's needs. The Government, the National Federation of Dairy Coops and private sector have tried their best to increase milk production to meet the growing needs of milk consumption. This can be achieved by setting up more dairy coops and processing plants in all parts of the country.

5.2 Organisation's views on:

1. **Long-term and short-term food export/import issues:** Due to the shortage of milk production coupled with the increasing demand for milk consumption within the country, Thailand cannot export any dairy product within the next 12-15 years. However, the import of dairy products will be declined drastically. It is estimated that Thailand will meet its own requirements within the next 15 years. It is also expected that milk production through dairy co-ops will be increased, from 52.5% of the total shares in 1996 to 75-80% in 2012.

2. **Entry of multi-national companies in food business:** At present there is no concrete idea on this issue, but in the long run if all dairy coops get stronger and united, the idea of forming up a national company in food business is possible, especially on the joint venture basis with other companies.

3. **Producing food for others:** In fact almost all dairy coops are selling raw milk to private sectors (companies) for processing such as the Nestle, Foremost, CP Meiji and Dutchmill. Only a few have their own processing plants but these are of low capacity.

5.3 **Your views and stances to WTO's Agricultural Agreement Negotiations which are likely to commence in 1999:** I think the WTO's Agricultural Agreement Negotiations to commence in 1999 is a good thing. It can reduce agricultural trade barriers. It also can help reduce food prices for the poor people and the poor countries. The export prices of food for the developing world will be better. But the chance of success may not be so good. It may take many long years to come to some shape.

5.4 **In case WTO's Agricultural Agreement Negotiations succeed, in your own views, what kind of influence/damage your country and the organisation will suffer from it:** In the next 10-12 years there will be no damage to Thailand and the organisation (DCFT) caused by WTO's agricultural agreement. Because Thailand is not in a position to export dairy product in the near future. If it has a surplus and exports it in the future no country can use any measure whether the AD (Anti Dumping Duty) or the CVD (Countervailing Duty) against Thailand because Thai Government does not give any assistance on these matters. So, the export will be based on open market and open competition basis.

There might be a small damage affecting dairy production in Thailand in case imported prices are lower than domestic prices. But it will be readjusted in a short period of time, because domestic production is rising rapidly. It is also expected that dairy productivity in the years to come will be increased. So the production cost per unit will be going down and be competitive with the imported prices.