

Report of ICA/NACF Regional Seminar

Agricultural Cooperative Business Development

- the Korean Experience



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

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Report of ICA/NACF Regional Seminar on
Agricultural Cooperative Business Development
with special reference to Korean Experience

Seoul (Rep.of Korea) : 6-15 October 1992

Coordinator
Guo Yong Kang



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Regional Office for Asia and the Pacific
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Acronyms

ACCFA	:	Agricultural Credit Cooperative Financing Administration
AFMC	:	Agriculture and Fisheries Marketing Corporation
AMC	:	Area Marketing Cooperative
BCOD	:	Bureau of Cooperative Development
BGF	:	Barrio Guarantee Fund
BSF	:	Barrio Savings Fund
CAPS	:	Agricultural Producers and Sales Societies
CDA	:	Cooperative Development Authority
CRB	:	Cooperative Rural Bank
DC	:	Desiccated Coconut
EEC	:	European Economic Community
FACOMA	:	Farmers Cooperative Marketing Association
FAO	:	Food and Agriculture Organisation
FDA	:	Fisheries Development Authority
FDC	:	Farmers Development Centre
FELCRA	:	Federal Land Consolidation and Rehabilitation Authority
FELDA	:	Federal Land Development Authority
FFF	:	Federation of Free Farmers
FFFCI	:	Federation of Free Farmers Cooperative Inc.
FOA	:	Farmers Organisation Authority
GDP	:	Gross Domestic Product
GKSI	:	Gabungan Koperasi Susu Indonesia
GSA	:	Group Settlement Areas
ICA	:	International Cooperative Alliance
ICDP	:	Integrated Cooperative Development Projects
IFFCO	:	Indian Farmers Fertiliser Cooperative
JPFSMC	:	Jiangsu Provincial Federation of Supply and Marketing Cooperatives
KADA	:	Kemubu Agriculture Development Authority
KB	:	Kilusang Bayan
KESEDAR	:	South Kelantan Development Authority

KJ	:	Kongje
KPFB	:	Felcra Participants Cooperative
KPR	:	Felcra Scheme Cooperative
KRIBHCO	:	Krishak Bharti Cooperative
MADA	:	Muda Agricultural Development Authority
MAFF	:	Ministry of Agriculture, Forestry and Fisheries
MARKFED	:	Cooperative Marketing Federation
MPCS	:	Multipurpose Cooperative Society
NACF	:	National Agricultural Cooperative Federation
NAFED	:	National Agricultural Cooperative Marketing Federation of India
NARSCO	:	National Rubber Smallholders Cooperative
NCC	:	National Cooperative Council
NCDC	:	National Cooperative Development Corporation
NFFC	:	National Federation of Fisheries Cooperatives
NLCF	:	National Livestock Cooperative Federation
OBSE	:	Office of Bank Supervision and Examination
PACS	:	Primary Agricultural Credit Society
PD	:	Presidential Decree
RA	:	Republic Act
R&D	:	Research and Development
RDA	:	Rural Development Administration
RISDA	:	Rubber Industry Smallholders Development Authority
ROAP	:	Regional Office for Asia and the Pacific
SCC	:	Swedish Cooperative Centre
SIC	:	Standard Industrial Classification
SKATA	:	Syarikat Kerjasama Asas Tani
SMA	:	Statutory Marketing Authorities
SN	:	Samahang Nayons
SK	:	Sanghokumyung

Introduction

Background

In the Asia-Pacific region, agricultural cooperatives are predominant in cooperative sector constituting about 70 per cent of the total cooperative membership in the region. But many agricultural cooperatives in developing countries are facing problems in developing cooperative business, particularly in marketing of agricultural products, supply of farm inputs, agricultural credit service, etc. Unlike other type of cooperatives, the farmer member depend very much on the agricultural cooperatives for marketing and credit because agricultural cooperatives are main channels for farmers to sell their products and get farm inputs and credit. Success of cooperatives depend on effective marketing, assuring better price and making available of adequate timely credit to members. Therefore, training on agricultural cooperative business development is really needed at present.

The National Agricultural Cooperative Federation (NACF) of the Republic of Korea, one of the well-organised cooperative organisations in the region, has achieved remarkable progress in marketing of agricultural products, supply of farm inputs and providing credit service to farmers and has gained very vast experience over the years in the above fields which should be disseminated to other agricultural cooperatives to strengthen agricultural cooperative movement in the region. Therefore, the ICA ROAP suggested that NACF in collaboration with ROAP organise a regional seminar on Agricultural Cooperative Business Development with special reference to Korean Experience with a view to train selected participants from the Asian and the Pacific region for implementation of business development planning.

Objectives

The Regional Seminar was organised with the following objectives :

- (a) To discuss the structure and business activities of agricultural cooperatives in Korea;
- (b) To explore possibility and adoption of modern computer system and advanced management in agricultural cooperative business development;
- (c) To discuss applicability of the Korean experience on business development to agricultural cooperatives of the participating countries; and
- (e) To formulate action plan for the organisations/ movements of the participants, keeping in view of the experience.

Proceedings

The Regional Seminar on Agricultural Cooperative Business Development with Special Reference to Korean Experience was organised by the International Cooperative Alliance Regional Office for Asia and the Pacific (ICA ROAP) in collaboration with the National Agricultural Cooperative Federation (NACF). The seminar was held at the Agricultural Cooperative College of NACF in Seoul from 6th to 15th October 1992. 15 participants from nine countries, i.e. Australia, China, India, Indonesia, Malaysia, Pakistan, Philippines, Sri Lanka and Vietnam attended the seminar.

The seminar was inaugurated by Mr. Yong-Jin Kim, Director-General, International Cooperation Department of NACF. He hoped that this seminar, first of its kind, would help the participants to prepare an action plan for replication in their own countries. Mr. Guo Yong Kang, Agricultural Cooperative Development Advisor, ICA ROAP, welcomed the participants and gave a brief account of the background and methodology of the seminar. The resource persons from NACF introduced Korean experience on supply of farm inputs and consumer goods, marketing, banking and credit business as well as development strategies of agricultural cooperatives. The participants presented country papers and exchanged information of cooperative development in Asia-Pacific region.

Field visits were arranged to the selected cooperatives to give the participants an opportunity to study the functioning of agricultural cooperatives in Pochun, Kangwon Province, Chunan city and Seoul city.

The participants appreciated and expressed that the seminar was well organised and had successfully achieved its objectives. The participants also formulated several proposals to introduce Korean experience into practice to their cooperative organisations in order to improve cooperative business activities.

The closing ceremony of the seminar was held on 15th October 1992. It was addressed by Mr. Yong-Jin Kim, Director-General, International Cooperation Department of NACF, Mr. Karl Fogelstrom, Senior Development Advisor, and Mr. Guo Yong Kang, Agricultural Cooperative Development Advisor, ICA ROAP.

LECTURE PAPERS

Agricultural Cooperatives in Korea*

1. Introduction

Background

1961 : The present multipurpose cooperative organisation was established by merging the Agricultural Bank and the Agricultural Cooperatives with a three-tier system of village, county and national levels.

1981 : The cooperative organisations were restructured into two-tier system of primary cooperatives and their national federation. The county-level cooperatives were dissolved and converted into branch offices of the federation, and livestock cooperatives were separately set up having own independent federation.

1989 : The Agricultural Cooperative Law was amended with a provision for direct election of Presidents of both the federation and its primary cooperatives.

Characteristics

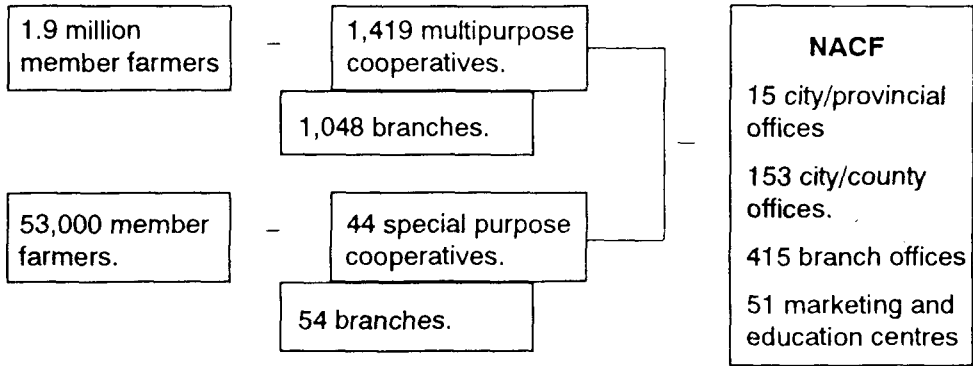
- a. A farm producers organisation democratically organised with their own capital subscriptions;
- b. A multipurpose type of cooperatives engaging in supply and marketing activities, banking, insurance, and farm extension services;
- c. Dual character of cooperative movement and professional management; and
- d. A banking institution exclusively handling farm credit with NACF serving as a resource bank and its members are credit cooperatives.

Major Responsibilities

Help to achieve a welfare rural society by improving farm productivity and income, and by enhancing the economic and social status of farmers through cooperative organisations.

* by Mr. Yong-Jin Kim, Director-General, International Cooperation Department, NACF.

Organisation and Staff



Staff

	Number	Percentage
Member Coops		
Multipurpose coops (persons)	42,871	69.9
Special purpose coops	1,323	2.2
Sub-total	44,194	72.1
NACF		
Head Office	1,110	1.8
City/Provincial offices & canterers	3,157	5.2
City/County offices & branches	12,834	20.9
Sub-total	17,101	27.9
Total	61,295	100

Internal Organs

Member Cooperatives

Policy-making

- Representatives Meeting : Top policy-making body in lieu of the General Assembly consisting of 50-100 representatives.

- Board of Directors : Consisting of the President and 6-10 Directors.
- Executive : One President
- Auditing : Two Auditors

NACF

Policy-making

- General Assembly : Authorised to elect the President and Standing Auditors.
- Representatives Meeting : Top policy-making body in lieu of the General Assembly. Consists of one President and two multipurpose cooperatives for every city/provincial office (159 representatives) and one special purpose cooperative for every province (9 representatives).
- Board of Directors : Consists of President, two Executive Vice President and 19 Vice Presidents (8 standing and 11 non-standing). Makes decisions relating to business execution.
- Executive : One President (two Executive Vice-Presidents and 8 standing Vice-Presidents).
- Auditing : Two Auditors (one non-standing).

Functions

Commercial business	-	Marketing and processing of farm products
	-	Supply of farm inputs
	-	Supply of consumer goods
	-	Warehousing and transportation
Banking	-	Supply to the army
	-	Deposits
	-	Trust and securities
	-	Foreign exchange
Mutual insurance	-	Credit guarantee
	-	Credit card
	-	Life and damage insurance
Extension service	-	Welfare and scholarships and refund
	-	Farm management
	-	Integrated rural development
	-	Promotion of grass-roots organisations
	-	Farmer Member education
	-	Political and legislative activities
	-	Research and public relations

Major Facilities

Marketing and storage facilities in producing areas:	219	farm product collection points
	47	cold storages
	161	improved warehouses
	16	fruit packing houses
	14	farm product transport ships
	2,828	cargo vehicles
	5,114	grain warehouses
Sale facilities in consuming areas:	76	coop marketing canterers
	74	direct marketing outlets
	5	farm product distribution depots
	95	supermarkets
Processing facilities:	34	farm product processing plants
	107	grain milling plants
	2	rice centers
Farming Facilities :	5,119	fertiliser warehouses
	4	farm machinery parts supply centers
	743	farm machinery service canterers
	972	gas stations
	81	gas transport vehicles
Utilities :	50	LPG shops
	7	consumer goods depots
	2,060	chain-stores
Cultural and welfare facilities:	201	libraries
	13	kindergartens
	42	barber shops and beauty saloons
	485	wedding halls
	95	funeral service canterers
	3	insurance resort hotels
Educational facilities:	1	agricultural coop junior college
	3	agricultural coop leaders training institutes
	5	staff training institutes
	6	new farmer technical training institutes
Banking facilities:	575	NACF banks
	2,524	member cooperative banks

NACF-promoted establishments:	1	Farmer Newspaper Company
	1	Cooperative Trading Company
	1	Agricultural Technology Exchange Centre
	1	Namhae Chemical Company (25% capital share)

2. Review of Past Development

1960s : Laying the foundation for multipurpose cooperative system.

- Established primary cooperatives at village level (about 21,000 coops at the end of 1961), and strengthened these organisations.
- Implemented institutionalised businesses such as farm loan, fertiliser supply, grain procurement, etc., mostly through county coops as agent of the government.

1970s : Developing the economical viability of primary cooperatives.

- Consolidated village-level primary coops into township-level coops.
- Expanded mutual credit, chain-store business, and supporting services for increased food grain production.
- Transferred key businesses of county coops (farm loan, fertiliser supply, product marketing, mutual insurance) to primary coops.

1980s : Diversifying and expanding business.

- Strengthened banking service (expanding the banking network, installing the on-line system, etc.) aimed to mobilise financial resources for farm loans.
- Initiated marketing improvement programmes by constructing the needed infrastructure in both producing and consuming areas.
- Launched the farm income generating projects, including the integrated regional agricultural development project.

1990s : Democratising cooperative structure and strengthening the commercial business sector.

- Direct election of Presidents of NACF and its member cooperatives leading to a democratic bottom-up system of operation.
- Undertook marketing and processing business with the construction of distribution depots, rice canters, kimchi processing plants, and the coop trading company.
- Expanded cooperative service to support farming and livelihood for member farmers, such as capital investment in the Namhae chemical company, establishment of the farm machinery parts supply canters, supply of gas and oil, funeral service, etc.

Growth of Major Business

(in billion Won)

	1970	1980	1991
Marketing of farm products	35.2	692.7	3,436.0
Grains	8.1	127.8	1,000.9
Fruits and vegetables	7.5	196.0	1,635.0
Other products	19.6	368.9	800.1
Supply of farm inputs	39.2	431.9	910.7
Chemical fertiliser	29.0	217.2	304.2
Other farm inputs	9.2	183.3	274.7
Mixed feed	1.0	31.4	331.8
Supply of consumer goods	1.9	80.4	770.1
Deposits (outstanding)	97.8	1,871.5	6,252.0
NACF	95.4	1,047.7	11,433.5
Member coops	2.4	823.8	14,818.5
Loans (outstanding)	108.7	1,709.4	9,297.6
NACF	105.9	1,181.4	9,212.2
Member coops	2.8	528.0	10,085.4
Mutual insurance (policies sold)	69.7	540.3	2,124.3
Farm credit guarantee(outstanding)	-	90.8	1,461.7

3. Policy and Business Orientations

Basic Policies

- a. Devote all cooperative efforts towards implementation of the rural restructural improvement projects.
- b. Strengthen the managerial capability to adjust to competitive business environments.
- c. Prepare to function as regional economic canters in the process of political and economic regionalisation.
- d. To achieve a dynamic and competitive rural community.

Business

Commercial business

- Implement the marketing improvement programmes,
- Stable supply of farm inputs and reduction of farm production costs.

Banking and credit

- Mobilisation of expanded financial resources to meet the credit needs of farm households.

Mutual insurance

- Stabilisation of farm livelihood through a variety of insurance policies.

Extension

- Production of quality farm products and improvement of the competitive strength of agriculture,
- Expansion of farm management education programmes,
- Improvement of rural culture and welfare,
- Development of member cooperatives and protection of farmer interests.

Management

- Effective implementation of the New Agricultural Cooperative Policy and sustaining innovation of management.
-

Tasks and Development Strategies of Agricultural Cooperatives in Korea*

Present Situation and Tasks of Agricultural Cooperatives

In line with the open-market policy as a whole, Korean agricultural cooperatives also have various problems to cope successfully with this world-wide opening trend. The challenge may be more severe to cooperatives in rural areas than urban cooperatives, because rural cooperatives still have small business volumes.

76% of 1,410 Korean agricultural cooperatives are located in rural areas of small-size compared to township level. Banking business has been absolutely major part for these cooperatives to enable them to operate cooperative activities for farmers. The average gross profit per cooperative in 1991 amounted to US\$ 622,000 of which 68%, US\$ 423,000 was earned from banking business. But through the marketing business which is the highest priority to farmers, a cooperative was able to get a gross profit of US\$ 35,000, being equivalent to cost of maintaining only two employees during last year.

If the opening of banking business is effected in Korean banking field and the competition among banking institutes become stiff, many of the agricultural cooperatives will not be able to survive.

Although average margin between deposit and loan at Korean banking markets was 4.7% last year and at the US and Japanese markets were 3.9% and 2.3% respectively, Korean agricultural cooperatives in rural areas was able to earn 5.3% gross profit rate of about 8 million deposits received. But if the competition of interest margin become severe, resulting in declining the profit to half of the last year's level, most of rural cooperatives may decide to keep the half of their staff strength which is now 23.

Development Strategies to cope with the Trend

Cooperatives have to adopt a free competition system, being away from the conventional practice of management of sharing profit equally. Through vitalizing the management atmosphere by providing cooperative staff incentive to work hard for more earnings. Agricultural cooperative should be successful in keeping quality survival.

* by Mr. Sang-Ho Choi, Professor, Agricultural Cooperative Junior College.

Agricultural cooperative staff have to change their present authoritative manners and practices to service-oriented ones. They have to develop a better attitude to induce customers to join cooperative willingly.

They would have to try to effectively introduce a system of getting information and marketing strategies just like businessmen. Waste arising out of poor management of resources should be prevented. A new promotion system without written test is to be developed so as to induce staff towards achieving the cooperative goals.

A Major strategy to increase productivity of cooperatives should be found from merging of the present town-level primary cooperatives to county-level ones. By merging the small-seized cooperatives, they can save the cost of management, have the benefits of economies of large-scale, engage specialised staff in specific fields, encourage competent youth to be recruited in cooperatives, and extend large-scale facilities as needed to give better services to farmers and non-farmer customers.

Agricultural cooperatives should try to get changed their earlier image of agricultural producer's cooperative into regional cooperative. For this, they will have to develop a variety of such welfare businesses as paying loans for education and wedding needs for farmers' children, to help tour inside and outside the country and handle other non-farming businesses for residents regardless of farmers.

They have to expand cooperative movement even to non-farming residents by encouraging them to become cooperative's members. Therefore, cooperatives should try to rearrange operating manners and principles of businesses which might give disfavour to them.

Therefore, the main factor for development in any sector may be human factor. In line with this, cooperatives should succeed in keeping highly qualified cooperative Presidents duly elected by members without indulging into the host of corruptions and manipulations. Cooperatives also should continuously emphasize on developing appropriate work ethics and attitudes to be relatively advantageous.

Agricultural Cooperative Marketing in Korea*

Introduction

Marketing and Economic Development

It is widely understood that the word "marketing" has so many aspects that we cannot define the marketing in a few words. Drawing a boundary of marketing is bound to miss some aspect of the marketing. As far as the definition of the marketing is concerned, it seems to be true that a professor proposes but the market disposes.

The role of marketing in an economic system was well illustrated by Peter Drucker about 35 years ago when he viewed marketing as "the process through which economy is integrated into society to serve human needs". He pointed out that marketing performs the functions of: i) crystallizing and directing demand for maximum productive effectiveness and efficiency; ii) guiding production purposeful towards maximum consumer satisfaction; and iii) creating discrimination that gives regards to those who really contribute to society.

Drucker's insight tells us the fundamental characteristics of marketing that it first looks at the values and demand of the individual, and it motivates people to act purposefully and responsively. Implication from historical observation is that any attempt to develop an economy or an industry without "marketing as a social discipline" experiences a failure of operation and a waste of resources.

Micro and Macro Marketing

Marketing economists discuss two types of marketing: micro marketing and macro marketing. Traditionally, this distinction has focused two aspects of marketing: the organisational unit involved, and the function of management. The essence of micro marketing has been single entrepreneurial unit and the management thereof. Macro marketing has been related to the systems of multiple units, such as various forms of distribution channels and marketing functions performed thereby, including governmental and other public agencies. More recently, the dichotomy of micro and macro marketing is based on considerations from wider range of perspectives: data or information; theory; normative models; and forms of management or implementation.

* Young-Kon Koh, Dy. Director-General, Research Department, NACF.

Two-Facedness of Cooperative Marketing Business

Current system of agricultural cooperatives in Korea was established based on the "Agricultural Cooperative Law" legislated in 1961. The law stipulates that any organisation that does not follow this Law shall not be called as an agricultural cooperative. The Law regulates not only the organisational structure of the overall agricultural cooperative system but also the operational process of agricultural cooperatives as well as that of the NACF, the national level agricultural cooperative organisation.

This implies that one of the most important characteristics of the cooperative marketing business in Korea has been its two-facedness. It has been an important element of macro marketing for the government and society. But it also is a critical part of the cooperative management. Conflicts have been experienced between what is desirable from macro marketing point of view and what is expected by member farmers or by cooperative managers from micro marketing point of view. Evaluation on the performances and development of the agricultural cooperative marketing depends on which side one emphasises.

This paper presents an overview of marketing business of agricultural cooperatives in Korea. It first looks at chronological growth since 1960 and then gives a general description on the current situation and development strategy of agricultural cooperative marketing business in Korea. In general, this paper takes the macro marketing point of view.

The Growth of Cooperative Marketing Business

Marketing Business In the 1960s

Marketing of agricultural products has been one of the major activities of the multipurpose agricultural cooperatives in Korea since their establishments in 1961. The marketing business has faced with an enormous challenges in response to the changes in the political, social and economic conditions in which agricultural cooperatives exist and operate.

In the 1960s, the cooperative marketing businesses had centred on the government entrusted marketing activities on commission basis. Major role of the cooperatives was the handling of rice and barley, which were predominantly important staple foods in Korea, under the "Food Grain Management Programme" implemented by the government. Agricultural cooperatives performed the functions of buying, storing, milling, releasing rice and barley according to the instructions given by the government and at the prices determined by the government. Most farmers and general public considered the agricultural cooperative system as an extended arm of the government at that time.

Primary cooperatives organised at Ri or Dong (the lowest administrative units,

village) level throughout the country were not in a position to implement their own marketing businesses due to limited financial resources, manpower, facilities and management skills.

In addition to the handling of the staple food grains, the cooperatives bought various kind of cash crops such as potato for alcohol, silk cocoon, flax seeds, rape seeds, castor seeds, cotton and rabbit fur from farmers based on government programmes.

Marketing Business In the 1970s

Between the latter 1960s and the early 1970s, agricultural cooperatives at Ri and Dong (village level) were merged into Myon or Up (town or township) cooperatives expanding the business and management scale at primary levels. It was in this period that the cooperative marketing business entered a turning point with the commencement of a lot of new ventures including mutual credit. In other words, primary cooperatives began to secure the necessary funds, facilities and manpower for the promotion of marketing businesses.

As the 1970s set in, the government implemented a dual price system for rice and barley to help increase farmers' incomes. Along with the increased national income, changes were brought about in the food consumption structure, boosting demand for meat, fruits and vegetables. Under the Seamaul (new village) Movement, various projects were undertaken to improve the living environment in the rural areas. Between 1965 and 1975, the non-agricultural population increased from 13 million to 23 million and the ratio of farming population to the nation's total population dropped from 55% to 37%.

These social and economic changes spurred the commercialisation of agricultural production and boosted farmers' interest in cooperative sales projects. As a result, the cooperatives strengthened efforts to expand their sales projects under the banner "strengthen the marketing and handling functions for farm products". This catch-phrase was one of the three major policy goals pursued by the cooperatives in those days.

In 1974, the NACF adopted an eight-point cooperative marketing promotion programme for primary cooperatives. Emphasis was placed on (i) strengthening the marketing projects initiated by primary and special agricultural cooperatives; (ii) making all levels of cooperatives serve as marketing outlets; and (iii) training all cooperative employees as salesmen. This simply indicated the extent to which the cooperatives were anxious to promote marketing business at that time.

It was in the early 1970s that many primary cooperatives were provided with such marketing facilities as rice mills, transportation vehicles and retail shops for farm products. During the 1970-75 period, cooperative sales of farm products increased by an annual average rate of 70%, excluding the government-entrusted sales of rice and barley.

As the volume of farm products sold by primary and special cooperatives increased, they began to pay great attention to marketing products on more favourable terms and conditions in urban markets. This was a major driving force for the expansion and modernisation of the cooperative distribution functions around the middle 1970s. An increasingly greater number of cooperative marketing centres were set up in large cities across the country. For example, the cooperative marketing centres for livestock products were established in Seoul and Chonju city in 1974 and 1976 respectively. And a cooperative supermarket opened in Shinchon, Seoul, in 1976. The supermarket was regarded as one of the large-scale retail outlet in Korea when it began to run.

The retail sales network such as food grain stores and mini-supermarkets were expanded by agricultural cooperative system across the country. In accordance with the government price stabilisation policy, the number of the NACF food grain stores rose from 17 in 1975 to 1,000 in 1978.

Marketing Business In the 1980s

Since the beginning of the 1980s, commercial farming has become more prevalent. The government marketing policy switched from administrative guidance to greater investments in marketing infrastructure. Marketing of fruits and vegetables, livestock products and marine products became more and more important than before. In response to changes in the food purchasing and consumption patterns, supermarkets mushroomed in many big cities. Per capita rice consumption of non-farm households declined sharply.

Marketing business of agricultural cooperatives in 1980's can be summarised as follows. First, primary agricultural cooperatives and horticultural cooperatives in producing areas began to be very active in marketing of farm products. The restructuring of agricultural cooperatives from the three-tier system to two-tier system encouraged cooperatives in rural areas to take initiatives in marketing business. Second, in order to activate the agricultural marketing business based on the concept of cooperative activity it was felt that voluntary participation of farmer members in the producing areas was one of the most important necessary condition for its existence and success. Emphasis was placed on the strengthening of the role of cooperative marketing groups organised among farmers who produced the same crop at village level.

Third, sales of high-quality rice was encouraged to meet the growing demand. Some primary cooperatives introduced quality differentiation in rice marketing from late 1980s. High quality rice in Korea basically indicate certain variety and specific locality in production, and soil condition. In general, it was traditionally noticed that Korean consumers prefer to buy rice varieties with less indica type characteristics, produced in Kyung-Ki Province, and rice produced on reclaimed land. Other specific characteristics found in the 1980s included the operation of large supermarkets in urban areas, in an effort to prevent sharp price changes at retail level, and to develop

consumer reputation for reliability in the prices and quality of domestically produced farm products that the agricultural cooperatives sell.

Agricultural Cooperatives' Marketing Business Today

Promotion of Cooperative Farming/Marketing Groups

Basically, cooperative marketing businesses are a form of cooperation among farmers to promote the sale of farm products at more favourable terms. Therefore, successful cooperative sale activities depend upon unified agreement and concerted actions from the part of member-farmers.

In Korea, there were no cooperative marketing businesses in the genuine sense of the word when the multipurpose cooperative system was founded in the early 1960s. In those days, the NACF started the marketing business but farmers were not interested in it. Their participation in the marketing business was at very low level. It was partly because they considered the cooperative as a government agency. However, more important factor for the low participation was that their farming structure at that time was basically self-subsistence ones. With small quantity of marketable surplus, with little understanding on the need for cooperative action, and with perception of agricultural cooperatives as a part of government, farmers did not pay much attention to the market.

However, commercialisation of farming encouraged member farmers to engage in producing relatively small number of agricultural commodities for free market. Market-oriented specialisation in agricultural production made farmers to think and behave in a way that seem to motivate cooperation among themselves.

Moreover, fruits and vegetables production became more important part of farming especially for small farmers due to the increasing demand and decreasing profitability of other farming activities. Most of food and food grains, except rice, consumed in Korea are now supplied by farmers abroad. Examples of those commodities are wheat, corn and soybean. Their self-sufficiency rates dropped from 27%, 36.1% and 100% in 1965 to 0.05%, 1.9% and 20% in 1990. Import of other commodities are also increasing. Livestock production, which has been an important income source for small farmers, became more and more heavily dependent upon large scale specialised farms or agricultural firms.

Fruits and vegetables production for market requires new technology and market information for small farmers. It seems to be difficult for them to invest in the new business isolated from their neighbours. Voluntary cooperation between themselves from investment and production planning stage each year is of mutual help not only for an efficient production but also for efficient marketing of their products.

Agricultural cooperatives place heavy emphasis on motivating farmers to organize cooperative farming/marketing group among farmers producing same kind of fruits

and vegetables crops at the same region. The concept of integration of cooperative farming and cooperative marketing became to be popular among cooperative leaders in some rural areas. They noticed that cooperation after harvest without close coordination among production planning stage may not be really meaningful in practical sense.

To facilitate the activities of the cooperative farming/marketing groups at the village level, agricultural cooperatives provide farm credit to the farming/marketing groups so that the group members decide the allocation of credit among themselves or between activities. A close coordination between the farming activities of group members is expected. Some of the examples of the expected coordination among farmers are selecting varieties to grow, introducing new techniques, synchronisation of seeding and harvesting season, unifying the grading and packing methods, and so forth. These coordinations among farmers enable cooperative management to decide what is required to support them.

An interesting change in cooperative management can be observed recently. Current Presidents of primary cooperatives were elected by direct vote of all member farmers for the first time in agricultural cooperative history in Korea. The Chairman and President of the NACF was elected by the direct vote of all Presidents of the primary cooperatives. The term of office for the primary cooperative leaders and the NACF are four years. These elections made agricultural cooperatives much more agricultural marketing business-oriented ones than ever. Agricultural marketing business is not a major portion of the cooperatives yet in terms of the business turnover or income generation compared with credit and banking business. However, it seems to be true that major managerial efforts are concentrated in the agricultural marketing business.

Cooperative Marketing Centers & Auction-Practised Collection Points

At the end of 1991, the agricultural cooperatives operated 76 cooperative marketing centres in major cities across the country and 81 auction-practised collection points in towns and townships. Out of the 76 marketing centres, 20 were operated by the NACF in the six big cities and 56 by primary agricultural and horticultural cooperatives. The all auction-practised collection points were operated by either primary agricultural cooperatives or horticultural cooperatives.

The cooperative marketing centre was first set up in Pusan, the second largest city in Korea, in 1961 and have increased steadily in number since then. At a time when the functions of public wholesale markets were not yet established, the cooperative marketing canters contributed greatly to the promotion of farmers income as an alternative form of market outlets for farmers and local cooperatives. The main function of the marketing canters is price discovery through auction for fruits and vegetables.

The auction-practised collection points can be classified into two types based on

their location: one operating in the producing areas and the other in consuming areas. Those in producing areas attract sales agents from urban areas and sell specialised farm products through auction in order to establish fair market prices. Therefore, these markets operate only in the heavy marketing seasons dealing with specialised farm products. In contrast, the collection points in the consuming areas operate in those rural areas with a comparatively large number of consumers throughout the year and deal with many items. In this respect, they are similar in function to the cooperative marketing centers in the consuming areas.

Business Turnover of the Cooperative Marketing Centres & Auction-practised Collection Points (In million Won)

	1980	1985	1990	1991
Coop Marketing Centre (CMC)				
CMC of NACF	67,079	257,616	409,194	451,326
CMC of member coops	48,850	101,346	260,629	345,577
Total	115,929	358,962	669,823	796,903
Auction-practised Collection Point				
Total	3,086	32,567	137,987	176,200
Total	119,015	391,524	807,810	973,103

Processing Business : A New Challenge

Some primary cooperatives at village level were engaged in rice milling in 1960s. Livestock cooperatives and the NACF began to produce assorted feeds in 1962. Before the restructuring of the cooperative system in 1980 several county cooperatives and horticultural cooperatives entered into the food processing industry such as fruits and vegetable canning. However, most of the rice mills and all of canning business of agricultural cooperatives failed to survive for long. Lack of managerial skills was the main reason for the lack of the viability of the processing business of agricultural cooperatives. Livestock-related processing such as dairy processing, slaughter house and feed mills were handed over to the newly established livestock cooperatives or the National Livestock Cooperative Federation in 1980.

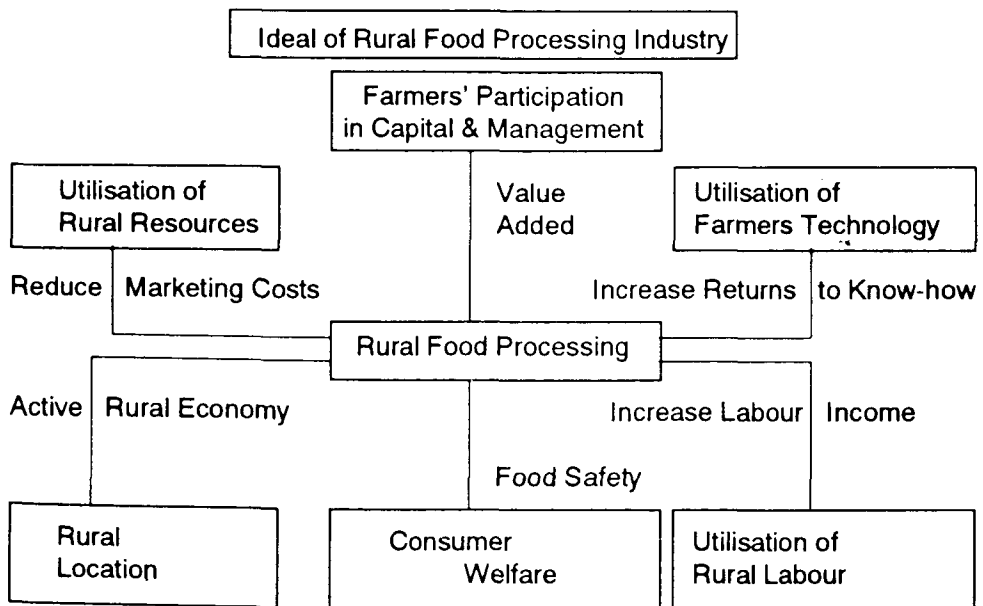
Processing of farm products has been a business area that was neglected by the multipurpose agricultural cooperative. However, changes in economic and social environment opened a new horizon to the cooperatives from late 1980s. In 1990, the NACF formulated an ambitious medium-term plan "Five-Year Plan for Processing Business Development". Many of the primary and horticultural cooperatives are willing to invest into the agro-processing business in which they were not interested at all until mid-1980s.

Background for the active participation in agro-processing industry by the agricultural cooperatives from the late 1980's could be summarised as follows. First, gradual opening of domestic agricultural market enforced Korean agricultural policy-makers to find new income sources for farmers. The agro-processing business of the agricultural cooperatives is regarded as a potential opportunity for farmers to retain the value-added generated by the processing business utilising the productive resources at farm level.

Second, food consumption pattern in Korea changes as consumer income increases. They seek convenience, diversity, safety and in every aspect of shopping, cooking and eating foods. Consumer demand for processed food has shown an increasing trend.

Third, farmers and cooperative leaders are inclined to have an optimistic view to explore the possibility to recapture part of the domestic agricultural market through the development of processing industry by cooperatives. It is observed by them that existing food processing industries owned by large private enterprises are inadequate for the benefit of consumers and agricultural producers mainly due to their dependence on imported raw material and non-competitive market structure.

The last and most important factor to encourage agricultural cooperatives to invest into the processing industries is government support and the election of cooperative office-bearers through the direct vote of farmer members. Presidents of the rural cooperatives are self-pressured to perform something visible for their members. It is noticed that many Presidents of agricultural cooperatives think that construction of processing plant would be helpful in collecting votes from their members at the next election.



Financial support by the national (local) government depends on the type of processing. In general, government provide subsidy as much as 50% of construction costs in addition to 30% of loan extension.

At the end of 1991, the NACF operated three food processing plants, while its member cooperatives owned 48 plants. The numbers will be increased to 8 and 82 respectively by the end of 1992. The most frequently required commodities produced by the cooperative food processing business will be Kimchee (14 plants) at the end of this year. The next will be pickles (12 plants) followed by tea (8 plants) and powdered red pepper (7 plants).

Marketing of Raw Farm Products for Processing

Marketing business for the farm products which are used as raw materials for processed foodstuffs have been actively undertaken since the 1960s under the government policy to increase farm income through the expanded cultivation of cash crops and boost exports of processed foodstuffs. These projects underwent frequent changes in terms of the products handled and the total sales turnover in response to the demand and supply situations and other economic conditions. Since the 1970s, however, the marketing business have centred on silk cocoon, sweet potatoes, rape seed, barley for malt and corn.

In the marketing business, the government settled the purchasing prices and determined the quantities to be purchased. The NACF then concluded sales contracts with processors and the primary cooperatives involved, purchased the crops directly from farmers, stored and handed them over to the respective companies after a fixed period of time. The prices of the crops were settled at the same level throughout the country. The settled prices were frequently higher than the import prices of the same crops, and the companies experienced a financial squeeze in purchasing the domestically produced raw materials. For this reason, government provided subsidy to the processors in the form of loan, and imposed quota on the amount of imported material based on the quantity of domestic farm products they used. Until the end of the 1960s, most companies depended on such government funds, but recently the NACF funds are gradually superseding the government loans.

In the trend of import liberalisation of most agricultural commodities since mid-1980s, this type of cooperative marketing business became less and less important than before.

Operation of Cooperative Supermarkets

The NACF opened a large supermarket for the sale of farm products in Shinchon, Seoul in 1976 for the first time. The number of such supermarkets increased to 10 between 1980 and 1986. There are many pros and cons about the NACF operation of supermarkets. The opponents argue that the NACF is not in a position to conduct

a consumers protection movement because it is an organisation of farm producers. They also say the NACF cannot play a genuine role of safeguarding the interests of farmers by entering into the retail food markets, and that the NACF cannot compete with private supermarkets in terms of management efficiency.

On the other hand, supporters of the supermarket operation contend that if the NACF entry to the retail market can contribute to modernising the retail food distribution system and reducing the exorbitant distribution costs, this will eventually protect and promote the welfare of farmers as well as consumers by modernising the distribution system and producing a spill-over effect of increased food consumption. It may be true in Korea that retail food distribution system had many weaknesses and the activities of agricultural cooperatives at retail level can stimulate the development of retail marketing. Agricultural cooperatives in Japan operate more than 2,000 "A-COOP" chain-stores across the country. More than 90% of the chain-stores retail meat, fish, fruits and vegetables. They also argue that the supermarket operation can facilitate collection of useful information about changes in consumer taste and preferences for improving cooperative sales strategies and farming guidance for producers.

Many of the cooperative chain-stores operated by agricultural cooperatives in Korea began to change their store design so as to meet the changing consumer's shopping behaviour. Korean consumers prefer shopping at more convenient retail shops like supermarkets than traditional ones.

Agricultural Market Information and Other Facilitating Functions

Marketing information, a driving force of the economic behaviour of society members, is the most important marketing function because the "invisible hand" may not be influential without the marketing information. Especially for the agricultural area, efficient marketing information services must be provided to the general public including farmers and consumers as long as the production and consumption of farm products are dominated by numerous small economic units. The agricultural marketing information services in Korea have consistently followed this policy direction.

Currently, many institutions are involved in the agricultural marketing information services. For the agricultural market news component, the Ministry of Agriculture, Forestry and Fisheries (MAFF) functions as a coordinator of the overall agricultural marketing information system based on the nationwide network of city/county branch offices of the Agricultural and Fisheries Statistics Bureau of the MAFF. The main computer of the MAFF is linked to the NACF, the NLCF, the NFFC and the Agriculture and Fisheries Marketing Corporation (AFMC). The NACF and the NLCF collect data on prices and trade volumes of agricultural commodities at rural markets and auction prices at the cooperative marketing canters in major urban areas. The AFMC, a subsidiary of the MAFF, is in-charge of collecting data on prices at public wholesale markets and at retail shops in urban canters. Data collected by those

institutions are fed into the main computer at the MAFF through about 150 city/county branch offices of the Agricultural and Fisheries Statistics Bureau of the MAFF on a daily basis for the processing and dissemination. Dissemination of the agricultural market news may be classified into two types: dissemination for the general public, and for the institutions and respective interest groups. The former takes place through mass media including TV/radio broadcasting, newspapers and other periodicals, and the automatic telephone answering devices installed at the NACF, NLCF, AFMC and branch offices of the Rural Development Administration (RDA). Dissemination for the latter follows the reverse order in which the information is collected, i.e. dissemination of the information from the MAFF main computer to city/county offices of the Statistics Bureau of the MAFF, and then to the local cooperatives of the NACF and NLCF for the ultimate utilisation by their members.

The coverage of the NACF data collection for the agricultural marketing information system includes information on farm gate prices in major producing areas for 18 major commodities, and auction prices and trade volumes at NACF's 17 marketing centres for 31 commodities. For the dissemination of the agricultural market news, the NACF utilises a nation-wide on-line network connecting NACF's 2,900 branch offices and member cooperatives; the farmers newspaper published once in two days; an automatic response system with 72 lines at nine major cities; and other periodicals. Other components of agricultural marketing information services such as crop and livestock estimates, situation and outlook services, food consumption estimates, commodity exports and imports are also important, and thus diverse institutions in addition to the above mentioned ones are involved in such marketing information services. However, the role of the MAFF is most pivotal in the collection and dissemination of the relevant marketing information in Korea and further development is expected, particularly in the agricultural situation and outlook service.

An efficient marketing information requires a system of common language that allows easy communication of common idea on prices, quality and quantity between economic agents. Agricultural cooperatives have been trying to improve packaging and standardization of farm products through their extension activities. An example is to provide standardized packing material for various fruits and vegetables at subsidized cost.

Challenges and Strategies for Future

- Marketing as cooperative management discipline
- Important micro-marketing
- International and domestic competition
- Internal competition between regions or commodities
- Policies and economics
- Rice marketing.

Strategies for Successful Development of Rural Finance in Korea*

Introduction

The purpose of this paper is to explain the present situation of rural finance in Korea and development strategies for rural savings promotion and funds operation adopted by the agricultural cooperatives, which have exclusively handled Korea's rural finance.

Generally speaking, the agricultural cooperatives are evaluated to have successfully played a leading role for the development of rural finance in Korea. Really, it is undeniable that the agricultural cooperatives have recorded a remarkable quantity growth in rural finance even though problems may be found in its quality aspect.

As is well known, Korea's rural finance has been developed mainly by agricultural cooperative system, especially multipurpose cooperative system. The Korea's organisational system for rural finance is considered to be very typical in comparison with that of other countries.

In my opinion, every country, especially developing country, should develop rural finance system of its own type suitable for its rural community, taking into account the social, economical and even political conditions surrounding rural finance.

Development Process of Rural Finance

The history of rural finance in Korea can be divided into four stages: the period of the Financial Cooperative from 1907 to 1955; the period of the Agricultural Bank from 1956 to 1960; the period of the multipurpose Agricultural Cooperative from 1961 to 1980; and the period of coexistence of the Agricultural Cooperative and Livestock Cooperative from 1981 to present.

From the historical viewpoint, Korea's rural finance is characterised by cooperative finance, especially multipurpose cooperative finance. During a short period in the late 1950s, Korea had an experience to have established a government run bank exclusively responsible for agricultural finance. But they ended in failure.

As for the Financial Cooperative, under the Japanese colonial rule, there may be

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arguments about whether it was a pure cooperative or not. Really, the Financial Cooperatives were very much influenced by the government in the process of their operation.

In addition, it was believed that the Financial Cooperatives were devised and established to serve as an agent for the Japanese colonial government controlling the rural community. However, it was also true that the Financial Cooperative was organised and operated based on the cooperative principles.

The failure of the former bank system in rural finance indicates that cooperative financing is the most effective and efficient in developing countries characterised by small-scale farming like Korea. During the period of the Agriculture Bank, the Bank and the Agricultural Cooperative were separately established.

This separation caused a lot of problems as expected. Even though the Agriculture Bank was an exclusive credit organisation in the rural society, it was strongly oriented to maximising its profit. Therefore, the Agriculture Bank did not financially coordinate with the agricultural cooperatives even though it had the obligation to support them in their credit needs. As a result, the agricultural cooperatives suffered from difficulties of lack of funds from the initial stage.

Under these circumstances, the agricultural cooperatives were only an agent selling government fertiliser in competition with the merchants and many village cooperatives remained dormant without any transaction.

In order to solve these problems, in 1961, the Agriculture Bank and the former agricultural cooperatives were merged into the present multipurpose agricultural cooperatives. On the 15th August 1961, the NACF was established as the national federation with a membership of 140 county cooperatives, 101 special cooperatives and 21,042 village cooperatives. The newly established agricultural cooperatives were engaged in various businesses such as marketing, purchasing, utilisation and processing as well as the credit business.

After the amalgamation, the agricultural cooperatives had developed fast in the area of credit business. Their deposits and loans increased rapidly. However, the growth was attained mainly in city and county level cooperatives. The function and performance of the village level cooperative as primary cooperative was still far from the original projections. Main factors behind the poor performance of primary cooperatives were: i) small size of the cooperative as an economic unit; ii) lack of new business projects to stimulate cooperative activities; iii) difficulty in securing competent managers from within limited area; and iv) rigid "top-down" and uniform guidance practices for primary cooperatives.

In order to strengthen the foundation of rural finance, it was urgently needed to vitalize the organisation and operation of the primary cooperatives. Therefore, starting from 1969, top priority was put on expansion of economic viability of primary

cooperatives on the basis of self-help and self-supporting endeavours of primary cooperatives. For this purpose, policy efforts were directed at merger of primary cooperatives to Eup and Myon level (township level) from Ri and Dong (village level), development of new projects, and transfer of farmers-related businesses to primary cooperatives from city and county cooperatives.

The merger of primary cooperatives was completed over a period of five-year from 1969 to 1973. As a result, the number of primary cooperatives in 1973 declined to about 1,500 and the average number of members in each cooperative rose from 139 in 1968 to 1,400 in 1973.

Along with the enlarged scale of primary cooperatives, primary cooperatives undertook new projects and took over some of the businesses formerly handled by city and county cooperatives, including farm credit lending services; supply of farm inputs; and cooperative insurance service.

The most important new projects introduced at that time by primary cooperatives were the Mutual Credit Scheme and Cooperative Chain-Stores designed to supply daily necessities. Especially, the Mutual Credit Scheme yielded tangible effects on the management of primary cooperatives and rural finance. First, the Mutual Credit Scheme absorbed rural savings and recycled them into loanable funds for farming and household living, thereby reducing the size and interest rates of private money market loans and giving substantial benefits to farmers; second, the scheme enabled the primary cooperatives to secure a certain volume of operations, thus providing for managerial viability; third, through the scheme, member farmers became clearly aware of the functions and role of their cooperatives; and fourth, the scheme helped increase the propensity to save in the rural community.

The expanded scale of primary cooperatives and the implementation of the Mutual Credit Scheme led to a rapid growth of the credit and banking business of primary cooperatives. However, entering the 1980s, the agricultural cooperative system was once again reorganised in accordance with dramatic social and economical changes in rural as well as urban communities.

As of 1st January 1981, agricultural cooperatives streamlined their three-tier organisation (primary cooperatives, city and county cooperatives, and the national federation) into a two-tier system by placing city and county cooperatives under the wing of the federation. Subsequently, the former city or county cooperatives were renamed city or county branch offices of the NACF. And the primary cooperatives expanded their functions to serve farmers by taking over warehouses and other farmer-related services from the new county branch offices of the NACF.

At the same time, the livestock cooperatives were separated from the agricultural cooperative system and formed their own national federation. Especially, since June 1983, the livestock cooperatives began to handle their own credit and banking businesses. Subsequently, all the livestock-related credit lending services conducted

until then by the agricultural cooperatives were transferred to the livestock cooperative system. Since then, the rural financing in Korea has been developed under dual cooperative finance system.

Present Scenario of Rural Finance

A. Rural Financial Market

Korea's financial market comprises three types: banking institutions or deposit money banks; non-banking financial institutions; and securities market. Among those, both the deposit money banks and non-banking financial institutions have direct relations with rural finance in terms of deposits mobilisation and lending services. In the national deposits market, share of deposit money banks stands at 34% and that of non-banking financial institutions at 66% as of 29th February 1992.

Deposit money banks are divided into commercial banks and specialised banks. However, the credit and banking business of the NACF belongs to the latter along with that of NLCF. Non-banking financial institutions comprise five kinds: development institutions; savings institutions; investment companies; life insurance companies; and other institutions such as leasing companies and credit guarantee funds. The Mutual Credit Scheme conducted by the agricultural and livestock primary cooperatives belongs to the savings institutions together with credit unions and postal savings.

The NACF's credit and banking represented 11.1% of the total deposits in the deposit money banks and the Mutual Credit Scheme of agricultural primary cooperatives took 33.1% of the total deposits of the savings institutions in 1991.

In the rural communities, many banking offices of various kinds of financial institutions are competing for deposits mobilisation. In Korea, there are around 12,800 banking offices of deposit money banks and non-banking financial institutions. Among those, the number of banking offices operating in rural areas stands at about 5,600, sharing 44% of the total. However, out of the total banking offices in the rural areas, those of deposit money banks number only about 300. Therefore, it can be said that the rural financial market is occupied mainly by the non-banking financial institutions such as agricultural and livestock primary cooperatives, postal offices, credit unions, new community associations, and mutual savings and finance companies.

Besides the institutional financial market mentioned above, the private money market still plays an important part in the rural finance. Until the early 1970s, private usury dominated most of the rural finance. Before 1975, the farm households mobilised more than two-thirds of total funds needed for their farming and living from the private money market. However, the share of private usury has fallen rapidly from more than 70% level to 14% in 1991 due to rapid growth of the Mutual Credit Scheme, and their interest rates have also declined from 50% level per annum to 20% level, which is now about one and half times higher than the interest rates

charged by the Mutual Credit Scheme.

B. Position of Agricultural Cooperatives in Rural Finance

Needless to say, agricultural cooperatives play a predominant role in financing farmers. In terms of institutional financing alone, it is all the more apparent. Despite the increasing number of post offices, credit unions, local banks, and livestock or fisheries cooperatives in rural areas, the agricultural cooperatives have played an overwhelming role in farm household savings and liabilities. Although part of the lending to livestock farmers was transferred to the livestock cooperatives in 1981, agricultural cooperatives have been and still are the exclusive handlers of most government loans to farmers.

Therefore, it can be said that most of the institutional agricultural credit is channelled through the agricultural cooperatives. The agricultural cooperatives' share in the total banking borrowing of farm household is 95%. The share in the total banking deposits of farm households is estimated to about 80%.

Credit and Banking Business of Agricultural Cooperatives

A. Organisational Structure and Characteristics of Agricultural Cooperatives

The agricultural cooperatives in Korea are organised vertically at two levels: primary cooperatives at the township level and their federation at the national level. They are horizontally classified into two categories: multipurpose cooperatives and special cooperatives. The multipurpose cooperatives are organised by farmers primarily engaged in the production of grains such as rice and barley, while special cooperatives are established by the farmers who are mainly engaged in fruits and vegetables farming.

The objectives of agricultural cooperatives are to increase agricultural productivity, to enhance the economic and social status of farmers, and to ensure a balanced development of the national economy through the voluntary organisation of farmers. In an effort to attain these objectives, agricultural cooperatives conduct diverse businesses and activities including guidance, supply, marketing, utilisation, processing, cooperative insurance, credit and banking, and political and legislative activities.

From their inception, the Korean agricultural cooperatives have adopted the multipurpose type for the reasons such as small-scale farming, homogeneity of farmers, lack of functional coordination between the former agricultural cooperatives and the Agriculture Bank, and strong desire of the government to accelerate agricultural and rural development.

The multipurpose type of agricultural cooperatives in Korea has been proved to be successful. They have provided member farmers with an integrated package of

services at reasonable costs to meet diversified needs of the farmers in their farming and daily living. They have enhanced the complementary effects of cooperative businesses by integrating the banking business sector with non-banking sector including marketing, supply and guidance. They have contributed to the successful implementation of agricultural development policy by supplying farming funds and farm inputs at a proper time and reasonable price.

Like the cooperatives in developed countries, the agricultural cooperatives have become to enjoy bottom-up operation. As is well known, the agricultural cooperatives had been under the control by the government until the amendment of the Agricultural Cooperative Law in 1988. Under the new Law, however, the Chairman and President of the NACF was elected directly by presidents of member cooperatives, while the presidents of member cooperatives were elected by all the member farmers of respective cooperatives. In addition, the advance approval of the NACF business plan and budget by the Ministry of Agriculture, Forestry and Fisheries was replaced with an ex-post facto reporting system, and the business plan and budget of member cooperatives do not require advance approval of the NACF Chairman and President. It can be said that the agricultural cooperatives in Korea have become fully democratic organisations with liberal election system and managerial autonomy.

B. Credit and Banking System of Agricultural Cooperatives

The credit and banking business of the agricultural cooperatives is classified into the NACF credit and banking business governed by the Banking Law and primary cooperatives' Mutual Credit Scheme which is regulated by the Credit Union Law. And both the NACF and primary cooperatives are together involved in handling of the government policy loan. The agricultural cooperatives in Korea have carried out multi-banking businesses.

First, the agricultural cooperatives play the role of agricultural development banks by exclusively extending government policy loans to individual farmers and corporate bodies engaged in agriculture and rural communities. The exclusive handling of government policy loan by the NACF and its member cooperatives has many advantages in view of their nationwide on-line network, and their significant contribution to the mobilisation of agricultural development funds.

Second, the agricultural cooperatives play the role of cooperative banks in rural areas through the implementation of Mutual Credit Scheme. Primary cooperatives receive deposits and recycle them as loans to members and non-members. The surplus funds of the Mutual Credit Scheme are deposited with the Mutual Credit Special Account in the NACF to be either reloaned to primary cooperatives with poor deposit resources or used to purchase securities with high interest rates. To promote the efficiency of the Mutual Credit Scheme, the NACF functions as a central bank.

Third, the agricultural cooperatives play the role of commercial banks in urban and

semi-urban canters. This function is conducted only by the NACF headquarters and its city and county offices and their branches.

In this area, the NACF headquarters acts as the head office, and city and county offices and their branches as its local branches. They receive deposits, make loans, and provide various commercial banking services such as domestic exchange, remittance, credit, trust, securities and international banking to the general customers.

C. Performance of the Credit and Banking Business

The credit and banking business of agricultural cooperatives has expanded rapidly in terms of quantity. The total funds mobilised and operated by the NACF network increased by an annual average rate of 25.6% during the 1961-92 period. As a major financial resources, deposits increased annually by 31.2% during the same period, accounting for 18.5% of the total funds secured by the NACF in 1962 and 66% in 1991. As the deposits grew rapidly, the loans extended by the NACF increased greatly enough to reach the stage to sufficiently supply development funds needed by farmers. The ratio of loans to the total funds declined from 79.8% in 1962 to 53.2% in 1991, which illustrates that the self-sufficiency of the NACF credit service has been upgraded. Therefore, now the NACF can afford to supply about 37% of the government policy loans with its own banking funds.

Funds raised and supplied through the Mutual Credit Scheme increased annually by 40.9% during the 1973-91 period. Deposits in the Mutual Credit Scheme increased by an annual average rate of 62% in the 1970s. The growth rate dropped to 30% since the beginning of the 1980s. But they are still growing at a more rapid pace than those of other banks. At the end of 1991, the ratio of loans to deposits stood at 73% on the basis of the outstanding amount, which means that the Mutual Credit Scheme also begins to enter the fund-surplus stage.

Strategies for Successful Development of Agricultural Cooperative Finance

As mentioned above, rural financing conducted by the agricultural cooperatives have recorded remarkable growth in terms of quantity and quality. In mobilisation of rural savings, the agricultural cooperatives have recorded a very high growth rate. Especially, the Mutual Credit Scheme was a success in terms of growth rate. The income level of farmers was not higher than that of urban wage earners, and farmers income grew slowly compared with their urban counterparts. As is well known, savings are dependent on income. Nevertheless, the deposits in the Mutual Credit Scheme increased at a faster rate than that of other banks.

As for supply of credit to farmers, agricultural cooperative finance can be evaluated to be successful. As the rural savings increased rapidly, the credit supply also expanded greatly to the extent that chronic usury market exploiting farm household economy almost vanished from rural finance. Despite the rapidly increased amount

of loans extended to farmers, risks of the loans by agricultural cooperatives have remained at a low level compared with even other commercial banks. As of the end of 1991, the ratio of overdue loans to the total loans outstanding of the NACF and its member cooperatives stood at 4.12%, and the ratio of unsecured loans was only 0.25%, compared with the average insolvent loans ratio of 2.32% of the commercial banks. In a word, the agricultural cooperative finance was also successful in securing safety and soundness of its funds operation.

A. Strategies for Effective Savings Promotion

The increased savings mobilisation through the Mutual Credit Scheme was mostly due to the effective savings promotion strategy worked out by the NACF. The strategy placed emphasis on the increased safety, convenience, and profitability of deposits. Safety reflected depositor's confidence in financial organisations. Although safety may be one of the most powerful driving forces for savings promotion, it is a negative element in terms of savings growth. Convenience and high profitability are positive factors for savings growth. Generally, small depositors prefer convenience and large depositors profitability.

The Mutual Credit Scheme of agricultural primary cooperatives secured a certain degree of safety from the outset. Strong support from the NACF has won a strong sense of security among the member farmers. The NACF extended thoughtful guidance and supervision over primary cooperatives for the Mutual Credit Scheme from the planning to actual implementation. It also analyzed the management situation and employed a strict auditing system. They are all designed to enhance public confidence in the Mutual Credit Scheme and prevent financial insolvency. In addition, the NACF extended facility loans to primary cooperatives at a low interest rate and even interest-free support funds to prevent deficits in the operation of some financially poor primary cooperatives. Tax benefits from the government also contributed to the improved public confidence. For example, all primary cooperatives were exempted from corporate taxes until 1981. Even now, primary cooperatives are exempted from such local taxes as property tax, registration tax and acquisition tax or such taxes are levied at a preferentially low rate on primary cooperatives.

As a result, the financial credibility of the primary cooperatives has been far higher than that of other comparable financing organisations. They compared favourably even with commercial and local banks.

Major factors behind the increased convenience of the cooperative Mutual Credit Scheme may be specified as follows. First, primary cooperatives handled a variety of other businesses for farmers. Second, the autonomous operation of the Mutual Credit Scheme was raised to such an extent that funds were available to cooperative members at all times. Third, primary cooperatives exclusively processed policy farming loans. Fourth, there was a linkage with urban banking offices of the NACF in banking services. Among other things, exclusive handling of policy loans and other businesses by the primary cooperatives greatly enhanced members' patronage

of the Mutual Credit Scheme services. Many members visited their cooperative offices frequently and were provided with their multipurpose services at the same time.

To increase profitability of deposits, the Mutual Credit Scheme has carried a higher interest rate than other banking institutions. The interest rate on the Mutual Credit Scheme deposits has been one to two per cent higher than that of other banking institutions. In addition, income taxes have not been levied on a deposit of upto 20 million Won in the Mutual Credit Scheme. These measures contributed greatly to attracting more deposits especially from the non-farming population.

B. Strategies for Risk Management of Funds Operation

Along with other bank or credit institutions, agricultural cooperatives are operated within the legal framework outlined by laws and ordinances to secure their sound management base and protect the interests of depositors. Under the legal framework, the allocation of funds, the type, size and quality of individual loans, and the size of borrowing are regulated. For example, the size of individual loan should not exceed 10% of the capital of each agricultural cooperative, borrowing from outside financial institutions also should not exceed 10% of the capital, a specified ratio of deposits should be deposited as legal reserves with the special account in the NACF, surplus funds of each cooperative should be collected into the special account to increase liquidity and a certain ratio of surplus should be set up as reserves against bad insolvent loans. In addition, the value amount of fixed assets should be maintained within the limit of capital.

Besides these limitations, agricultural cooperatives regulate systematic process of loan extension and conduct strict loan supervision. For the sound operation of agricultural cooperative finance, the Office of Bank Supervision and Examination (OBSE) and the auditing department of NACF examines the credit business conditions of each primary cooperative under their supervision without prior notice at least once a year. If any agricultural cooperative violates any regulation, order or instruction issued by the concerned authorities in accordance with provisions of Credit Union Law and Agricultural Cooperative Law, the Superintendent of the OBSE instructs the necessary action to correct malpractices or irregularities disclosed.

In addition to prevent the delinquency of loans extended by the agricultural cooperatives as well as to provide an institutional loan security for small farmers without collateral, the NACF has been undertaking the Credit Guarantee Programme funded with grant from the government and financial institutions using the credit guarantee service.

However, the above mentioned risk management strategies are common to all the banks and other financial institutions in Korea. Frankly speaking, other banks and financial institutions may apply more strict risk management strategies than agricultural cooperatives. From this point, we will face a question, "what is the reason that the

agricultural cooperatives have smaller amount of bad loans than commercial banks". This Korean situation may be entirely different from the rural finance in developing countries where "rural finance is more risky".

The factors behind the relatively lower risk of rural cooperative finance in Korea may be classified into two. The one is high sincerity of rural farmers. Traditionally, farmers have lived for a long time at one village, so they place great importance to their personal reputation in their rural community and thus they are willing to repay their debts through cutting down even their living expenditures.

The other is remarkable reduction of uncertainty in agriculture. Generally, farmers faces different kinds of uncertainty such as production and price uncertainty, casual uncertainty due to fire, flood and storm, and personal uncertainty caused by sickness, injury and death. Among these, especially for reduction of production and price uncertainty, the government has put emphasis on development of farming techniques, expansion of sound production base, increased supply of farm inputs, and strengthened price support system for farm products. Life insurance conducted by the agricultural cooperatives and medical insurance introduced in the late 1980s have also contributed to reduction of casualty and personal uncertainty.

Out of these two factors, the latter is closely related with agricultural development policy. Therefore, in my opinion, rural financial institutions should put more emphasis on further promotion of farmer's repayment spirit to reduce the risks of farm loans even though farmers customarily have a honest and reasonable attitude to repayment of loans.

In this regard, agricultural cooperatives in Korea have recorded a success by conducting a unique recovery programme, so called Intensive Loan Recovery Programme. In Korea's rural finance, the time of repayment usually comes at the harvest season starting October and new loans are extended in January through May in the coming year. Accordingly, the intensive recovery programme known as an all-out mobilisation has been in operation annually from October 1 through the end of December.

Under this programme, all the primary cooperatives and the unit offices of the NACF have operated temporarily a separate department in an exclusive charge of "recovery of loan". And all employees have joined this programme.

Especially in the primary cooperatives, most of the employees including officers have participated in the programme and each staff has been responsible for a specific district.

Afterwards, each staff have to make "Borrowers list" recording principal amounts, instalments due, if any, interest accrued, and maturity dates. Taking this list in the morning, all the staff go out to meet with the borrowers within the specific districts assigned to them. Late in the evening, they return to their office and credit the proper accounts with the collected money. They repeat this field trip for recovery until their

recovery target is attained. It might be very painful and tiresome to pay door-to-door visits in pursuit of so many borrowers in the face of drifting snowfalls, especially around the middle of December, which is the culminating point of the recovery programme. However, they overcome the difficulties with a belief as expressed in old saying that “even greater oaks are bound to fall with ten strokes”.

Banking and Credit Business*

Introduction

The NACF has conducted banking business to mobilise and supply funds required for agricultural development, and to effectively finance the other business activities of the NACF and its member cooperatives such as marketing, farm inputs supply, farming guidance, public relations and research activities.

Cooperative banking and credit business is classified into the NACF banking and credit business governed by the Banking Law and primary cooperative Mutual Credit Scheme which is regulated by the Credit Union Law.

The NACF banking and credit business are carried out by its headquarters, county offices and their branch banking offices, as a nationwide specialised banking organisation, the NACF headquarters act as the head office, and county offices and their branches as its local branch banks.

But primary cooperative Mutual Credit Scheme has many differences from NACF banking and credit, such as implementation body, interest rate both deposits and loans and its operation, etc.

The purpose of this paper is to introduce the present situation of NACF banking and credit business and overall development strategies for savings promotion and funds operation adopted by NACF.

Financial Resources for the NACF Banking Business

Financing resources for the NACF credit and banking business consist of deposits of farmers and non-farmers, external borrowing from the government, the Bank of Korea and international banking institutions and other liabilities from the exchange settlement fund and the payment of bills. Of these three sources, only deposits and external borrowing can be used as loanable resources. Deposits received are called internal funds and the borrowing from external organisation are accounted as external funds.

As a major financial resource, deposits increased by an annual average rate of 23% during the period 1982-91. At the same period, borrowing increased by 20.2%. Composition of deposit and borrowing was 51.7% and 27.5% at the end of 1980. At the end of 1991, it became 66% and 27.3%.

* by Mr. Chong-Hyun Baik, Dy. Director General, Savings Department, NACF.

Operation of NACF Banking & Credit Business

The NACF can use the internal and external funds for sectors following the government financial and monetary stabilisation policies. First, a fixed ratio of internal funds must be deposited with the Bank of Korea as reserve funds. Second, upto 20% of the total funds can be used to support the NACF's non-banking businesses such as purchasing and marketing businesses. Third, the funds can be extended in loans to member cooperatives and non-farmers as well as farmers. There are two kinds of loans these are extended: banking loans made from the internal funds and government loans extended on the basis of government policy considerations.

Although lending from the internal funds are given directly by the NACF and its city and county offices, most policy loans are given to farmers through primary cooperatives. More than 50% of the total funds supplied were loans. The loans extended increased with the larger scale of total funds.

The ratio of farming loans to the total loans extended by the NACF increased from 61.7% in 1980 to 66.2% in 1991. But the ratio of medium and long-term loans to total farming loans declined from 65.8% to 50.5% during the same period. The reason was the NLCF supported their livestock farming household from 1980.

Present Situation of NACF Deposit

Broadly speaking, there are two kinds of deposits, namely, demand deposits and time and savings deposits. The current deposits and the household checking deposits are classified as demand deposits, while the time deposits, the instalment saving and the preferential savings deposits are included in time and saving deposits in our country. Generally, the interest rates paid on demand deposits are lower than time and savings deposits because the former can be easily withdrawn by depositors. Also, depositors use it as checking account. On the other hand, time and saving deposits are deposits for which the term of the deposits is fixed, and which in principle cannot be withdrawn during the contract period.

As a major financial resource, NACF deposits expanded largely in terms of quantity. Deposits increased by annual average rate of 23.5% during 1980-91. NACF deposits received at the end of August 1992 recorded 10,693 billion Won, 6.5% decline from previous year, and we expect the goal of this year will be achieved at the end of 1992.

For NACF deposits promotion, 16,303 staff members and a total of 569 county and their branch offices are involved.

Korea's Money Market

Korea's financial market comprises of three types: banking institutions or deposit

money banks; non-banking financial institutions; and securities market. According to the latest figures by the Bank of Korea, in the national deposits market, share of deposit money banks stands at 34% and that of non-banking financial institutions at 66%.

Deposit money banks are divided into commercial banks and specialised bank. However, NACF banking and credit business belongs to the latter, along with that of NLCF. Non-banking financial institutions comprise of five types: development institutions; savings institutions; investment companies; life insurance companies; and other institutions such as leasing companies and credit guarantee funds. The mutual credit scheme conducted by the agricultural and livestock primary cooperatives belongs to the savings institutions together with credit unions and postal savings.

The NACF deposit received represented 13.1% of the total deposits in the deposit money banks as of end of 1991.

Facing Problems of NACF Deposit Business

NACF has placed much emphasis on deposit business from the beginning., the reason was already illustrated. Recent NACF deposit business have faced many problems from external and internal.

First problem NACF faced comes from banking liberalisation. Roughly contents of banking liberalisation can be said interest reduction measure both on deposit and loan, also includes free business-barrier between deposit money banks and non-deposit money banks through establishment of sister companies.

Interest rate reduction programme will effect higher interest rate on deposit and lower interest rate on loan, when the deposit money banks try to attract the customer through competition on interest rate. In this regard, how to compete in interest race with commercial bank is a great problem. Accordingly, interest rate is directly related with NACF management, because margin between deposit and loan takes large portion of financial resources for various cooperative business.

Second problem we faced was that demands of customers are diversified. How to meet such diversified demands is another important problem for the NACF.

Last problem of NACF deposit is how to protect rural areas from expansion of commercial banks. While the NACF and its member cooperatives, as an exclusive rural bank, have contributed appreciatively to deposit and loans in rural areas, the contribution of the commercial banks to supply credit to rural areas is almost negligible.

But now attitude of the commercial banks towards rural areas is slowly changing due to industrialisation of rural areas. In other words, in the past, rural areas meant negative to them as deposit market.

Strategies for Deposit Mobilisation

In order to cope with the external and internal challenges and to secure farming funds effectively, the NACF took sweeping measures for saving mobilisation.

In 1982, it launched a service promotion campaign in which all officers and staff members were to extend the most cordial service to their customers. In 1983, a corporate identity programme was introduced to all NACF offices to enhance their image as banking institutions. Until the end of 1984, the on-line service system was installed at all 390 NACF banking offices. Also in 1984, NACF began to handle bank credit cards and expanded service for customers, such as night-time deposit safes and automatic cash dispensers.

At present, for stable growth of deposit, NACF takes not only strengthening the past measures, but also tries to develop new measures. The objectives and activities of 1992 taken by NACF are as follows:

1. Strengthening the automation and modernisation of offices and its facilities.
2. Strengthening the NACF image-up activities through mass-media and savings mobilisation campaigns.
3. Changing the environment of banking office to agri-coop style through establishment of domestic agri-product sales corner or exhibition corner of ancient agri-tools and machines.
4. Developing new deposit commodities related with cooperative business such as processing or coop insurance business. For example, now we are handling one year term time deposit - named delivery home town taste. According to the bank regulation, we have to pay interest monthly, or at once at the end of deposit contract. Instead of paying interest to customer, we deliver the best domestic agri-product monthly.
5. For the purpose of establishing close relation between each banking office and inhabitants in operational area, we are pushing to organise various classes such as old men's class for old men and women, hobby class for housewife, and agri-coop class for middle and high school student.
6. Strengthening the evaluation system of deposit mobilisation of each banking offices. The result of evaluation will be reflected in personnel administration of NACF.

Conclusion

As a major and fundamental resource, deposit business can be said as survival business for NACF. During the past decade, NACF deposit business expanded greatly in terms of quantity, in spite of severe competition between banks and non-banking institutions, urban or rural areas, too.

According to these, now NACF is facing new and various challenges from external banking liberalisation. What is important things to overcome those challenges is the strong will of all staff members involved. NACF also will continue to develop all tools and means for efficient promotion of deposits.

Cooperative Education*

Introduction

Education is important in the cooperative movement because cooperative consists of members and not mere shareholders, and thus education is an indispensable element in cooperation because it is essential to the existence of cooperatives, to the understanding and practical application of other Cooperative Principles, to the growth of cooperative organisations and to the progress of the cooperative movement. There can be no cooperative without cooperators and the cooperators are not born but made through continuous education.

The Cooperative Principles

- i. Voluntary association and open membership;
- ii. Democratic control;
- iii. Limited interest on capital;
- iv. Equitable division of surplus;
- v. Cooperative education; and
- vi. Cooperation among cooperatives.

In applying the principle of education, the cooperative is not obliged to provide every kind of education its members and officers require but its responsibility is simply to ensure that cooperators are educated in the ways and to the degree that their functions in the cooperative movement demand for efficient performance.

The cooperators should be educated to be able to work happily and successfully as a member of a team towards practical attempts to solve common problems through joint action. All cooperators need information that is accurate knowledge of facts and events bearing upon practical tasks and decisions to be reached or executed.

All cooperators need the technical knowledge which relates to working of cooperatives, particularly the movement's democratic machinery. The general assembly, for example, if it is to act effectively as the supreme authority in the cooperative, must be familiar as to its purpose, powers, procedures and standing orders to a sufficiently large number of members.

* by Mr. Shil-Kwan Lee, Deputy Director, Kyoung-Buk Provincial Training Institute, NACF.

Therefore, cooperative must consciously employ suitable kinds and methods of education to achieve its end and the education must include much besides the ordinarily accepted types of academic instructions in order to develop the cooperator's capacity for working with others according to the cooperative principles.

The cooperative education, therefore, must be a synthesis of the knowledge, technical training and social discipline of cooperators' functions in the cooperative movement, whether as a member or staff member in an executive or subordinate position.

To perform the principle of cooperative education, NACF has various types of education system and network which provide effective education and training programmes for member farmers and cooperative staff in order to increase agricultural productivity and promote the cooperative movement. The targets of the education by the agricultural cooperatives can be divided into three groups: member farmers, cooperative staff, and general public.

Education Institutions of NACF

- * The Central Training Institute
- * Five Provincial Training Institutes (Kangwon, Chungbuk, Chungnam, Jeonnam, Kyungbuk).
- * Three Cooperative Leaders' Training Institutes (Ansung, Jeonju, Changnyeong).
- * The New Farmers Technology College
- * The Agricultural Cooperative Junior College
- * The Agricultural Technology Cooperation Company
- * The Korea Institute for Cooperative Management Training

The education conducted by the NACF until early in the 1980s had been focused on nurturing the managerial ability of the staff members for the purpose of consolidating the management base of the agricultural cooperatives.

Since the beginning of 1980s, NACF put more emphasis on member education and facilities for member education have been rapidly expanded. Agricultural cooperatives in Korea is now known to have one of the best education systems for its members and staff in the world cooperative movements.

Staff Training

It is reasonable that the educational activities of agricultural cooperatives should be centred on the education of member farmers, but education of staff members is also very important part of cooperative education because they can educate their members.

The staff training of cooperative is aimed at having the staff serve member farmers to the fullest possible extent through enhancing their ability to implement business and manage the cooperative for the benefit of members according to the ideology of cooperative.

The cooperative ideology cannot be realised without sufficient qualified staff members on all levels, as required by the more and more complicated tasks to be carried out in the course of cooperative development. As society is becoming diversified and specialised, and as the demand for specialised knowledge to keep pace with such a trend is rising, the staff training should be sub-divided and specialised accordingly.

NACF staff training can be generally divided into two parts, training for NACF staff at the Central Training Institute and training for member cooperatives' staff at the five Provincial Training Institutes. Training courses can be classified into three parts, basic courses held by occupational ranks, courses by business functions and special courses organised for presidents of member cooperatives and for other business purposes.

The basic courses for manager level emphasize cultivation of the capability of management rather than the ability to handle practical business. A participatory educational method called MPT, and other similar methods have been employed since 1981 for staff above the rank of division chief of NACF, generating a high level of interest and producing high educational effects.

Courses by business functions are designed to train specialists in respect to businesses such as auditing, loan management, marketing, personal computer, international banking, cooperative insurance, teachers' training, etc. Additionally, overseas training and correspondence training opportunities are offered to the limited number of staff members and various types of on-the-job training are organised on the individual office level.

Contents of NACF Staff Training

1. Cooperative ideology and management guideline
 - Renovation of way of thinking and cooperative management,
 - Agricultural policy,
 - Strategy under opening policy of domestic finance market,
 - National economy and agriculture,
 - Strategy under opening policy of domestic agricultural market.
2. Spiritual and attitude change
 - New cooperative movement,
 - Etiquette and attitude as cooperative staff,
 - Customer service.

3. Cooperative management
 - Technique for achieving business targets,
 - Creativity on business,
 - Technique for problem solving,
 - Management strategy of modern organisation.
4. Cooperative business
 - Practice and theory by business,
 - Success story,
 - Case study,
 - Study tour.
5. Training on cooperation
 - Camp training,
 - Cooperation activity,
 - Physical exercise.

For better understanding of NACF training curriculum, training subjects of middle class for male staff are illustrated as follows:

Curriculum

Subjects (hours)	Subjects (hours)
Development policy of agriculture under market liberalisation (2)	Agricultural cooperative accounting (4)
Self development as coop staff (2)	Documentation (2)
The art of conversation (2)	Loan (4)
New cooperative movement (1)	Deposit (4)
Songs (1)	Exchange (3)
Customer service (2)	Farm inputs supply (3)
Sales techniques (2)	Agricultural marketing (3)
Cooperation training (7)	Cooperative insurance (3)
Five minutes speech (5)	Cooperative taxation (2)
Preparation for coop trg. (3)	Credit card business (2)
Mediation (1)	Guidance activity (2)
Audio-visual education (2)	Legal claim (4)
Labour union (2)	Trust fund management (2)
Case study (4)	Evaluation (1)
Cooperative theory (2)	Physical exercise (2)
Agricultural coop law (2)	Training introduction (2)
Laws of check and bill (2)	Ceremonies (2)
Accounting principle (2)	

In 1991 NACF offered various training courses to 4,692 and 12,029 staff members of NACF and member cooperatives respectively at its Central and Provincial Training Institutes. In 1992 the Central Training Institute will conduct 77 training courses for 6,950 staff members, and five Provincial Training Institutes will open 120 courses for 11,830 board and staff members of member cooperatives.

The following is the training plan of the Central Training Institute for 1992.

Staff Training Plan (Central Training Institute)

Courses	No. of Courses	Course Period	No. of Trainees
Orientation class	2	3 days	500
Basic class	8	2 weeks	1,350
Middle class	6	1-3 weeks	970
High class	5	1 week	750
Manager class	15	1 week	300
Top manager class	5	1 week	100
Teachers' training	2	1 week	100
Credit appraisal	2	3 days	400
Personal computer	25	1 week	550
'92 business plan	2	3 days	650
Coop president training	5	3 days	1,470
Total	77	-	6,950

The cultivation of future elite staff of agricultural cooperatives is done through student education at the Agricultural Cooperative Junior College which is two year college with about 200 students. The educational objective of the college is to produce elite staff armed with a firm conviction and spirit of service for the development of rural community through cooperative movement.

Eligible for admission is those sons and daughters of member farmers who are qualified for admission to college and are interested in agricultural and rural development. The students who are granted free registration are required to live in the student dormitory. They are given special benefits of employment as leading staff of member cooperatives after graduation.

Member Education

The agricultural cooperatives were established in order to increase agricultural

productivity, to enhance the economic and social status of farmers, to construct high income welfare rural community, and to ensure a balanced development of the national economy through the voluntary organisation of farmers.

To attain the objectives of agricultural cooperative, NACF and its member cooperatives conduct diverse business activities related to almost all aspects of rural life as they have multipurpose cooperative system in Korea. Without sense of belonging and loyalty by member farmers, the agricultural cooperative cannot achieve its objectives.

The cooperative is self-help and self-reliant organisation, and the cooperative spirit which is essential to any type of cooperatives can be cultivated through continuous education.

The concepts of member education include several target groups: cooperative members, members' family, prospective members and general public which influences member farmers, and the education should cover a wide range of general knowledge including ideology of cooperative, technical training and social discipline.

NACF and member cooperatives have conducted a variety of member education not only through education programmes designed by NACF and member cooperatives, but also through meetings, conferences and publications since early 1970s.

In line with the development of the national economy and improvement of transportation and communication system in rural areas, farmers economic activities have been rapidly expanded and diversified, and demand and expectation of member farmers to the cooperative has been increased in more detailed manner.

To meet these trends, NACF has developed two new education systems for member farmers in the beginning of 1980s, the Agricultural Cooperative Leaders' Training Institutes for strengthening ideological education and the New Farmers Technology College for providing advanced farming technique.

A. The Agricultural Cooperative Leaders Training Institute

The ideological education of agricultural cooperatives for their members is basically purported :

- i. to make farmers recognise the agricultural cooperative is their own self-help organisation so as to strengthen their sense of ownership and their sense of responsibility towards the cooperative;
- ii. to make member farmers become aware why they should positively take part in the activities of the cooperative and how they should develop their cooperative into an organisation honestly representing them; and
- iii. to make them firmly determined to seek lives worthy of human beings through their cooperatives by improving their economic and social status.

In order to realise the purpose of member education, NACF designed new education system and established the training institutes for member farmers, one in Ansong in 1983, the other in Jeonju in 1984. In 1992 NACF established another training institute in Changnyeong. The three Cooperative Leaders' Training Institutes have a capacity of accommodating 700 trainees.

In general the regular courses provide education in a collective form for ten participants per cooperative, usually two leaders of farming societies, two leaders of women's clubs, two chiefs of farming groups, one leader of youth club, a board member and president of the cooperative, and a manager of guidance or women department of the cooperative.

The cooperatives participating in the education are selected and grouped in consideration of regional distribution and cooperative development, so as to increase the effect of mutual education based on the comparison of different region and different level of cooperative development. For case study and panel discussions, the participants are teamed in small groups by types of their clubs or farming patterns.

Autonomous education is emphasised in the course because the ideological education for farmers is a spiritual education designed to induce a change in the consciousness, attitude and views of value of farmers. All the trainees and teaching staff have to reside in the dormitory during the course of five days as a way of developing the spirit of cooperation.

On the basis of educational needs of farmers, the curriculum is devised by considering the objective of organisation to infuse the ideology of the agricultural cooperatives and a sense of ownership into farmers, and the need of social discipline education to bring about human development for a better life. The contents of the education includes spiritual development, national economy and agriculture, agricultural cooperative movement, leadership of self-help organisation and farming technology.

In 1991, a total of 11,834 leaders of member farmers including executives of cooperatives completed the education course by the Ansong and Jeonju Cooperative Leaders' Training Institutes.

B. The New Farmers Technology College

The college attached to the Central Training Institute provides special technology courses on advanced farming for farmers who are interested in high-income crops such as horticulture, floriculture and livestock breeding.

The College is established in 1984 to increase the farming income by boosting agricultural productivity through the propagation of advanced farming technique and information of farm management, and to enhance the consciousness of participation in the cooperative business and a sense of ownership as members of cooperatives.

The curriculums are provided for each farm product and participants are teamed into groups according to the level of technique. The course emphasises mutual education by way of presentation of cases and panel discussion, and on-the-field education such as visit to advanced farm households, ranches, experimental station is arranged.

Those who are eligible for the education are member farmers, their family members and prospective young farmers. The College announces the course on the Farmers Newspaper with detail course contents including subjects and lecturers, and aspirants are required to file their application with the cooperatives.

The lectures on farming technique are provided by invited researches and advanced farmers in the related fields, thus contributing to propagating upto date technique, and emphasis is put on the task of solving technical problems and on diffusing practical know-how based on the experience of advanced farmers.

In 1991, 1,754 farmers participated in the courses such as greenhouse farming, mushroom, floriculture, livestock and organic farming technique. The courses generally take one to five days and participating farmers and cooperative share the education expenses which is approximately 30,000 Won per participant.

Besides the College courses, NACF provides on-the-spot lectures on high income crops and new farming technology through the Agricultural Management and Technology Guidance Groups organised at national and provincial levels.

1992 Plan of the New Farmers Technology College

Courses	Participants	Courses	Participants
Organic farming	120	Grape	90
Floriculture	120	Sweet persimmon	150
Herb crops	120	Plum	150
Mushroom	340	Cattle breeding	150
Special crops	120	Special livestock	100
Greenhouse vegetables	240	Ginseng	90
Aquaculture	120	Apple	100

C. Other Education Activities

Besides the ideological and technical education by NACF institutions, diverse types of educational activities have been conducted for member farmers including education through cooperative business, education programmes designed by

member cooperatives and general education for non-members by using printed materials and the mass communications media.

At the level of member cooperatives, various programmes are arranged for their member farmers in the form of lectures, workshop, meeting, discussion in the fields, study tours and distribution of printed materials including newsletters.

NACF publishes the Farmers Newspaper, issues every other day with a circulation of 500,000 and monthly New Farmers Magazine to provide upto date information on farm policies, farming technology, agricultural marketing, agricultural cooperative movement, culture and health care as well as other pertinent articles of interest to farmers and their families.

To the general public, NACF adopts various channel of mass media to inform the importance of agricultural cooperatives to the development of agriculture and national economy.

Insurance Business of NACF*

Introduction

Until the early 1960s, Korean farmers had been suffering from a vicious circle of poverty. Even though most of the farmers came to possess their own farmland. Thanks to the Land Reform. However, they are small farmers who were having hard times because the small farmers were exposed to natural disasters and had no access to the modern institutional credit and insurance services. So when they were in need of urgent money, they had to depend on a private loan, the interest of which amounted to as high as 50% a year. That usury money accelerated their poverty.

NACF, with the mission of cutting the chain of poverty of farmers by supporting them systematically, was established in 1961. Based on the cooperative spirit, NACF designed and developed the Sanghokumyung (the mutual credit) and the Kongje (the mutual insurance). These are the two pillars of the cooperative finance system for farmers of Korea.

The Sanghokumyung (SK), as a financial intermediation mechanism, has been playing a crucial role in lowering the interest rates and increasing the availability of credit. The Kongje (KJ) as an insurance mechanism has been playing also a very important part in stabilising the family life and productive activities of farmers. KJ and SK are complementary to each other and are both indispensable to increasing farmers' income and welfare.

Now, we would like to introduce what KJ's characteristics is and how it has developed, and discuss what the present operating system is and what its performances and future challenges are. We hope you may get some ideas from our experiences and we would appreciate your valuable advice for the improvement of KJ.

Characteristics

In insurance pool combines the loss exposures of many different individuals and redistributes the costs of the losses from the unfortunate few people who experience them to all its members who are exposed to them. In a word, insurance is a financial arrangement that redistributes the costs of unexpected financial arrangement and that redistributes the costs of unexpected losses.

* by Mr. Kyoung-Soo Chang, Dy. Director General, Research Department, NACF.

This definition can be applied to KJ too: that is, KJ is a kind of insurance. Nowadays KJ has grown to become a competitor of commercial insurance companies. The commercial insurance company are entering the regional area. This competitive situation makes it difficult to tell KJ from other commercial insurance companies.

KJ, however, has some characteristics which distinguish itself from other commercial insurance. These characteristics are :

- i. KJ has a special opening goal. The final purpose is the realisation of a welfare rural society through stabilising the farmer's life and increasing welfare services. With this purpose KJ was introduced when the rural insurance market was unattractive for the commercial insurance companies.
- ii. KJ and the commercial insurance are based on different laws. KJ is based on the Agricultural Cooperative Law while the commercial insurance on the Insurance Law. KJ business along with other NACF business has been given tax incentives. Until 1981, NACF had been exempted from the corporate tax at the rate of 22-38%. Presently we pay corporate tax of 17-25% while tax rate for other companies is 20-34%.
- iii. KJ is a cooperative business in which farmers are owners as well as major customers. The margin from the KJ business are to be returned to the farmers by dividend and/or through welfare programmes. This characteristic gives KJ advantages in marketing the business to the farmers but drawbacks in urban area. (Actually we have no restrictions to selling policies to non-farmers).
- iv. KJ is one business unit consisting of a business portfolio of a cooperative together with our business such as banking, agricultural product marketing. The diversified business portfolio produces a synergy effects. Different business in a cooperative can share the same infrastructure like buildings, vehicles, communication facilities, computers, etc. Especially manpower can be utilised flexibly. Cost savings from this made it possible to lower the premium rate of KJ compared to that of the commercial companies.

Historical Review

Before NACF : In the past, Kyes were informal organisations having mutual-benefit spirit to function as financial intermediation and insurance. Several people in the rural area organised an informal club. (Kye was popular in the urban area too). The club members saved and loaned systematically among themselves. It is reported that in 1915, a regional financial association started a fire insurance which was not prosperous. In 1959, the Agricultural Bank operated cow insurance.

1960s : NACF continued the cow insurance and introduced fire insurance for farmers as soon as it was established in 1961. Life insurance added in 1965 pushed the growth of KJ. It got a membership of ICIF in 1969. On the other hand, the government alleviated financial burdens from the usury loans by swapping the loans

with long-term bonds of low interest rate. 1960s can be called a preparatory period for agricultural finance including KJ.

1970s : Entering 1970s, the primary member cooperatives had the shape of the present system, merging over 20,000 small cooperatives into around 1500. Having a reasonable size, cooperative could operate more efficiently and grew rapidly as farmers' income increased year after year through Samaul Movement. Sanghokumyung was promoted in full scale very successfully. With this background KJ's strategic emphasis was put on expanding the number of farmers holding the policies. Being its infant stage, the primary cooperatives should do the business as agents of NACF. However, they were allowed to do the business as insurers from 1977.

1980s : From 1970 to 1980 farmers' income grew more than ten times while the income growth slowed down a little during 1980s. Electronics and other modern equipments were provided to farmers rapidly, which change rural life especially in mind. Manufacturing technology and low-rate policy loan made it easy to provide farmers with farm machinery which also incurred new causes of harm. And financing market of this decade could be marked as Financial Deregulation which is under way still. Its key contents are competition and innovation in financial industry. And it gave a little shock to us that the Post Office resumed the deposit and insurance business which they quit in 1977. The Post Office has a similar network to ours.

To cope with the changing circumstances and to meet the changing needs of farmers, KJ did a lot of things in this period. Firstly, we completed on-line computerisation of life insurance business processing in 1986. Before then the computer processing could be done only by batch file. Secondly, new products were developed: Mugungwha insurance in 1982, Group Savings and Fidelity insurance in 1983, Accident Security and Savings Security insurance in 1985, Old-aged Annuity insurance in 1977, Farming Accident insurance in 1989, Cancer insurance in 1992, etc. Most of the products being sold currently were developed this period. Thirdly, the primary cooperative enforced marketing man power by having an employee to do the insurance business exclusively and appointing all village woman leaders as collaborating sales solicitors.

Farm Household Income

(in thousand Won)

	1970	1975	1980	1985	1990
Income	256	873	2,693	5,736	11,026
CPI	15.7	32.1	71	100	130.2

Ratio of Holding Modern Equipments

(units per 100 farm households)

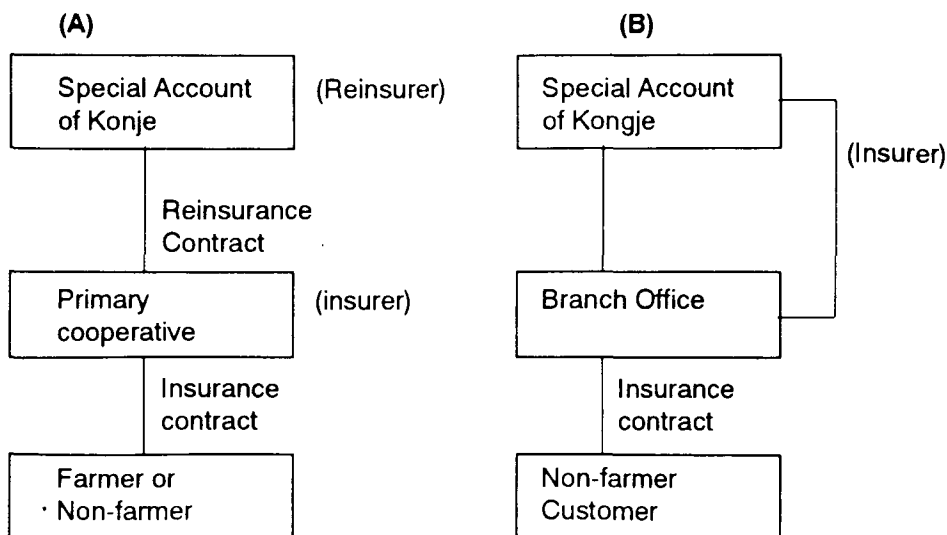
	1980	1985	1990
T.V	87.5	119.6	134.9
Refrigerator	13.0	69.6	100.1
Washing Machine	1.2	6.5	37.4
Power Tiller	13.4	30.6	42.5

Operational Structure

Member cooperative is an insurer which engaged in an insurance business with its customers - usually member farmers. Then the cooperative reinsures 100 per cent coverage with the NACF (in reality the Special Account of KJ in head office of NACF). Therefore, NACF is a reinsurer and a cooperative a primary insurer. By contract, NACF agrees to indemnify the primary insurer in the event that a cooperative must indemnify its insured for a covered loss.

This relationship illustrated in panel-A of Operational System of KJ is a key strong point of our insurance system. Because member cooperative is an insurer, it bears responsibility for the bad contracts (either from agency problem or from moral hazard). An employee of a cooperative must review applications for insurance and then make a decision whether he/she accept it based on criteria envisaged by NACF.

Operational System of KJ



On the other hand, the cooperative could carry on the insurance business efficiently through purchasing (re)insurance from NACF for the following reasons:

- i. This system can operate like a large insurance company. It makes the insurance pool so large that actual loss experience closely approximate the expected loss experience of a given hypothetical pool of insureds.
- ii. By sharing NACF's facilities such as computer network and NACF's functions such as R & D, fund management, law counselling, etc. each cooperative can make operating costs low and so insurance premium cheap.
- iii. NACF's financial credibility and goodwill give the cooperatives a halo of high credit for their customer farmers. And NACF, in this system, can transfer smoothly its business knowhows.

Part-B of figure-1 shows that the NACF also do operates with its own branches as an insurance company. In this case the majority of the customers are non-farmers of rural area.

Products and Promotion

Products : NACF is selling 14 products of life insurance and seven products of non-life insurance. Until late 1970s, most of the products were the endowment policies with purposes of stabilising the living of the families of members left and the education of their children when the family head happened to die or to be disabled. And during this period there were few new products.

However, KJ developed many varied products as mentioned early in order to meet the diversified needs of the customers and to maintain the competitive advantage against the commercial insurance companies and Post Office. In the early 1980s, KJ sought to start group insurance for securing retirement fund of companies and institutions. During the second half of 1980s, KJ was very active in developing new products totalling nine to satisfy every possible customer needs. The product portfolio covers almost all stages of one's life cycle. Generally the new products are short-term oriented and close to pure savings policies.

The four insurance products - new life insurance, accident security insurance, savings security insurance, and farming accident insurance - holds 93% of the total business in force of life insurance.

New life insurance developed in 1977 is one of the conventional long-term endowment type insurance. For example, a policy holder pays 150,500 Won every year for ten year contract of one million Won. When he/she died unfortunately owing to accident before maturity, his/her family get 30 million Won, 30 times the contract amount. When he/she has no accident, he/she will get 1,505,000 Won, the principal of the premium paid.

Accident security insurance and savings security insurance developed in 1985 are

short-term ones of 3 to 5 year maturity. The former emphasises guarantee against physical damages from accident with lower one-time premium payment. The latter is for a person who chooses higher interest income on his premium paid monthly or yearly and also wants a guarantee against death.

The farming accident insurance is purely for farmers with maturity of 1 or 3 years. A farmer holding the policy can get maximum one million Won with one-time premium payment of 800 Won.

Business Ratio (%) of Major Products

	1987		1991	
	Number	Amount	Number	Amount
New life insurance	25.0	21.1	16.6	10.9
Schooling insurance	0.6	3.9	3.3	1.5
Accident security insurance	20.2	40.9	23.3	35.9
Savings security insurance	23.6	22.0	29.0	18.8
Old-aged annuity insurance	0.1	0.3	0.6	2.1
Farming accident insurance	-	-	18.9	27.1
Others	30.5	11.8	8.3	3.7
Total life insurance	100	100	100	100

Promotion : KJ's sales are carried on differently compared with the commercial insurance companies. Usually commercial company depend heavily for its sales on the saleswomen working as solicitors. KJ, on the other hand, make use of all employees for this purpose. In spring when rice farming begins, the whole of cooperatives is getting busy. Therefore, the sales of insurance is usually carried on early in the year so that the most manpower can be put in the business. In this way, the operating costs are saved and so the insurance premiums lowered.

The major means for promotion consist of counselling about life cycle planning for stable living, presenting promotion gifts, featuring advertisements on TV, providing farmers with welfare services, etc. KJ redistributes most of the surplus to the farmers by way of welfare programmes. The welfare services are medical treatment to farmers such as check-up free of charge, scholarship to the children of the farmers, and the operation of recreational facilities at low rate. Last year, KJ got 41,000 farmers medically checked-up for which KJ paid 667 million Won and 20,000 rural students benefitted from KJ scholarship amounting to 3,311 million Won.

Performance

Life insurance accounts for 99% of total premium in 1990. At the early stage of insurance business in 1960s, the non-life insurance premium was two-fold of that of life insurance. However, non-life insurance business has continued a sluggish trend since the middle of 1970s. This position came partly for the limitation of market and partly for lack of new products. With new products non-life insurance is getting back lately.

A. Premium Growth (million Won)

Year	Life insurance	Non-life insurance	Others	Total
1965	55	90	-	145
1970	3,018	408	-	3,426
1975	6,810	2,217	-	9,027
1980	51,794	2,406	1,454	55,654
1985	175,863	2,924	139	178,926
1990	638,612	6,621	17	645,250
Component ratio (%)	(99)	(1)	(-)	(100)

B. Average Annual Growth Rate of Premium (%)

Year	Life insurance	Non-life insurance	Total
1970-75	16.3	33.9	19.4
1975-80	40.6	1.6	36.4
1980-85	24.4	3.9	23.4
1985-90	25.8	16.3	25.7

Life insurance premium grew rapidly at the annual rate of 40% along with the increase of farmers' income in the second half of 1970s. And KJ continued to grow at the rate of 25% annually in 1980s, availing of the diversifying needs with new products.

A. Life Insurance Growth

Year	New business		Business in force	
	No. of policy ('000)	Amount (bil. Won)	No. of policy ('000)	Amount (bil. Won)
1965	20.9	1.6	20.9	1.6
1970	97.3	28.2	386.2	69.3
1975	102.7	50.4	491.5	149.0
1980	195.0	218.6	728.7	505.7
1985	243.5	749.8	809.7	1,437.5
1990	656.3	5,257.4	1,648.7	9,787.0

B. Average Annual Growth Rate (%)

1970-75	1.1	11.6	4.8	15.3
1975-80	12.8	29.3	7.9	24.4
1980-85	4.4	24.7	2.1	20.9
1985-90	19.8	39.0	14.2	38.4

The above table shows interesting pattern of life insurance growth. Roughly speaking, the second halves of 1970s and 1980s were the periods of expansionary economy while the first halves of the two decades the periods of depression. At the fast growing stage of economy, the new business and business in force recorded a higher growth rate.

The table below exhibits that KJ have achieved net gains and its amount has been growing. The net gain is used to support non-profit activities for farmers and to assist the non-profitable business like agricultural product marketing. This means that KJ is a cash producing sector in a business portfolio together with the banking business.

Profits and Losses of KJ Special Account

	(million Won)		
	1987	1989	1991
Gross income	5,551	8,218	15,928
(Actual) Net income	129.3	1,669	5,789

The Future of KJ

The insurance market of Korea has a potentiality to expand further as the economy grows. The Insurance Supervisory Board anticipates that the rate of premium to GNP will rise from 11.5% in 1990 to 15.9% in 2000. The increasing trend of the ratio is consistent with the experiences of other developed countries.

However, the rural market is going to be narrow relatively as the component ratio of the agricultural sector in GNP decreases. And the financial deregulation and capital market liberalisation are making the insurance market very competitive. Already the number of life insurance companies exploded from six in 1986 to 32 in 1991. Four foreign companies and six joint-venture companies are included among them.

The severe competition in the urban area spills over the whole market. Large insurance companies that have usually operated in cities are now encroaching upon the KJ market. A most visible competitor of KJ is Post Office. Its nationwide offices do the insurance business just as the primary cooperatives do for the same target market.

KJ is formulating the long-term strategy to continue its growth coping with the challenges of the new environments. "Expanding the urban market share while depending the rural market" is the marketing objective of KJ. In its mission, the importance of the non-farmer customers of urban market are emphasised more. The following guidelines are set to achieve the objective:

- To bring up the core professionals for insurance,
 - To diversify the products to satisfy the segmented market,
 - To enforce the sales promotion more aggressively,
 - To upgrade the welfare programmes,
 - To improve the fund management techniques,
 - To sharpen the appraisal methods,
 - To raise the cost efficiency of administration.
-

**COUNTRY BACKGROUND
PAPERS**



Australia

Australian Agriculture - An Overview

a. Land Mass and Climate

Agriculture is basically determined by available land and climate. Australia is a large country of 7.7 million sq. kms. stretching from latitude 30 degree S in the south to latitude 13 degree S in the north. The climate varies from monsoon tropical in the north to temperate mediterranean in the south. Although there is a wide variation in rainfall, Australia is basically a dry country and it periodically suffers from drought. The country is mostly flat and snow is confined to the alps in the south-east corner during the winter. These are the physical factors which determine Australian agriculture.

b. Major Australian Agricultural Industries

The major industries are extensive livestock grazing of sheep and cattle and dry land cropping, principally wheat. The most intensive agriculture is carried on in the higher rainfall areas in the south-east and south-west corners of the continent, along the east coast and in the irrigation areas feeding off the Murray and Murrumbidgee river systems. The three major commodities are wool, beef and wheat, however Australia has an international reputation for producing and exporting other high quality agricultural products from a wide range of sectors including sugar, dairying, fishing and fruit.

c. Agricultural Position in the Australian Economy

Agriculture contributes approximately 4% of Australian's Gross Domestic Product and about 5% of total employment. About 70% of agricultural production is exported which contributes over 30% of Australia's merchandise export income compared with contribution of about 50% for minerals and 20% for manufactures.

d. The Australian Farm

Given the diversity of Australian agriculture there is no such thing as the typical Australian farm except in its ownership and operation. They are overwhelmingly owned and operated by families. 94% of all farmers are freehold land owned by the farmer.

Farms can vary in size from say 10 hectares for a fruit orchard to hundreds of square

kilometres for a cattle station. Generally, apart from cattle stations in northern Australia which can receive very high monsoonal rainfall, the lower the rainfall the larger the farm. Thus a typical sheep farm could range in size from say 500 hectares in Victoria to 3,500 hectares in New South Wales to 15,000 hectares in Queensland.

Australian Agricultural Cooperatives

Cooperative farms are common in some countries. However, they do not exist in Australia. The role of the cooperative movement in Australian agriculture is "post farm gate", it is the role that provides support for a wide range of agricultural products that are produced from efficient, capital intensive farms with an export market focus.

a. Supplier Cooperatives

A common form of Australian cooperatives is the organisation of the collection and disposal of farm produce from members to non cooperative processors. These cooperatives are usually referred to as supplier cooperatives.

For example, on a regional basis groups of sugar cane farmers frequently combine into a cooperative and then as a single unit, collectively arrange the supply of cane to privately owned (including non cooperative companies) crushing mills. The sugar industry in Australia is very much government regulated. Thus, farm gate prices for sugar cane is set by government regulation, in such a case the cooperative would not negotiate price but it would negotiate other factors of critical importance to its farmer members, including length of crushing season, farm cutting schedules, etc.

Supplier cooperatives in rural industry sectors lacking government price fixing legislation do act on behalf of their members in the negotiation of price with the processor or market customers. There is no doubt in the minds of Australian farmers that their interests are protected by the collective strength of supplier cooperatives. Even in those sectors where government regulations apply to prices, the cooperatives are effective lobbyists with government.

b. Processor Cooperatives

A more sophisticated form of cooperative in the Australian context is the processor cooperative. The processor cooperative is a farmer-owned processor of agricultural production. For example, in many regions sugar cane farmers own and operate their own regional sugar crushing mill. In such cases the farmer members not only receive the government regulated farm gate price for their cane, but they also receive bonus payments from mill profits.

The obligation of funding the capital equipment requirements of the mill rests with the farmers but this is usually financed from internally generated mill earnings or by debt which in turn is serviced from mill earnings.

Processor cooperatives are common in Australia in many different rural sectors. Sugar, dairying, fishing, cotton and fruit especially are sectors with strong processor cooperatives. It is accepted within rural communities that a strong group of processor cooperatives within an industry sector tends to provide farm gate price leadership. Thus proprietary, i.e. non cooperative processors must compete for supplies of agricultural produce in competition with cooperative processors. It is also fair to say that many farmers feel more comfortable in an environment where there is proprietary company competition as farmers are often critical of the commercial expertise of their own cooperatives so that they are reassured when there is true competition for their produce.

c. Marketing Cooperatives

In addition to the supplier and processor cooperatives, there are also marketing cooperatives. Marketing cooperatives are common in primary industry sectors such as fruit and vegetables where wholesale market forces are volatile.

It is common for such marketing cooperatives to incorporate other activities into their function, such as sorting, grading, packaging and transportation. The farmer capital investment tends to be substantially lower than that of processor cooperatives and farmer loyalty not as "tight" and controlled.

Marketing cooperatives attempt to use their collective strength to negotiate prices with wholesalers in those sectors where prices are volatile and where ill-informed individual farmers tend to not only lack marketing expertise and current price knowledge but are also dealing in perishable products.

d. Service cooperatives

A final form of agricultural cooperatives is the service cooperative. The objective of such cooperatives is to bring to the farmer improved supporting services, both in terms of prices and availability. Examples of such service cooperatives include Artificial Breeders Cooperatives and Merchandise Stores Cooperatives.

Artificial Breeders Cooperatives, as an example, enable groups of dairy farmers to unite and have access at very competitive prices to the semen of high quality bulls that may otherwise be beyond the financial reach of individual dairy farmers. Not only do such cooperatives provide access to the physical means of improving herd quality, but in addition act as a forum for discussion and communication, thus creating an environment conducive to improvement of quality and production.

Another example of a service cooperative is the "Merchandise Stores Cooperative". The importance of such cooperatives in the role of increasing the quantity and quality of agricultural production in Australia is often underestimated. For example, not only do such cooperatives bring affordable prices of consumer goods to remote rural centres, thus improving the quality of life to farming families, but in addition such

cooperatives frequently make available seed and fertilisers to farmers at much reduced costs.

There is too often a focus upon the role of cooperatives in protecting farmer selling prices and an oversight of the role of cooperatives in reducing the cost of production. Service cooperatives in their various forms have a common objective of reducing costs, either of consumable used by the farmer families, or more particularly a reduction in the cost of farm expenses.

Cooperatives as an Alternative to Statutory Boards

A characteristic of Australian agriculture is the prominence of Statutory Authorities. Throughout past decades governments (state and commonwealth) in Australia have responded to calls from farmers to protect them from the savage volatility of world and national commodity prices.

Thus a series of Statutory Marketing Authorities (SMAs) have been established with objectives including, to :

- provide countervailing power
- put a floor in the market price,
- manage supply,
- reduce price fluctuations,
- capture export opportunities,
- achieve economies of scale,
- undertake market development and promotion,
- organize commodity research,
- provide information,
- set grading standards,
- provide tariff compensation,
- represent the industry to government.

Many informed observers believe that SMAs are not the ideal solution to the current problems facing agriculture in general, and farmers in particular.

The lack of flexibility, inadequate capital base, separation of ownership (government) and responsibility (farmers), and the lack of the profit making incentive are all factors that weaken the potential for SMAs to perform. These government run Boards are also seen as over relying upon their access to coercive power and that such powers remove them from commercial reality and creates inefficiency and reluctance to change.

Cooperatives are now being perceived as being a more appropriate form of self regulation and self-help. SMAs have in many instances become over costly and

cumbersome and through excessive regulation inhibit normal commercial market forces and create cost infrastructures that inevitably are carried by the industry.

It is difficult to contemplate individual existing cooperatives, regardless of their size, replacing SMAs, but there is room for a new breed of industry wide cooperatives with specific macro marketing functions to be formed representing farmers on a national and international basis, even though those farmers may be suppliers to a range of separate and competing cooperatives and proprietary companies.

However, the more likely result is that many SMAs in Australia will be either disbanded or have their role and functions severely curtailed. The result will create an environment where individual cooperatives and proprietary companies will experience competition in largely deregulated environments.

This will necessitate cooperatives themselves becoming more efficient and will inevitably induce them becoming larger and less regionally focused.

Small efficient cooperatives have often survived in Australia because they have operated within highly regulated markets that have restricted competition. The government's recent review of the role and cost of SMAs foreshadows the need for Australian cooperatives to rethink their future strategy, unless they adjust to life in deregulated environments they won't survive.

Size and Sector Status of Australian Agricultural Cooperatives

These cooperatives vary in terms of size and the significance of impact upon industry sectors.

Number and Classification of Active Agricultural Cooperatives

Classification	Number
Artificial breeders	15
Dairying	31
Fishing	32
Fruit and vegetables	58
Grains (including cotton)	25
Livestock	16
Miscellaneous	42
Sugar	15
Total	234

The aggregation of individual cooperative financial statistics does not, in itself, provide a reliable guide to the financial structure of separate cooperatives as financial structure and strength is related to specific industry characteristics. However, such aggregations of all industry sectors does provide an overview on a national basis.

Aggregate Balance Sheet of AAC

		\$m	%
Current assets	...	1,680	48
Fixed assets	...	1,612	46
Investments	...	196	6
Total assets	...	3,488	100
Current liabilities	...	1,366	39
Deferred liabilities	...	621	18
Total liabilities	...	1,987	57
Paid up capital	...	288	8
Reserves	...	1,212	35
Total shareholders	...	1,500	43
Total equities	...	3,488	100

One of the most serious problems facing many of Australia's agricultural cooperatives is their inability to earn and retain profits. Profit retention is often not sufficient to even meet the inflation induced funding requirements of automatic increases in the dollar value of circulating assets let alone contribute to plant and equipment replacement and modernisation programmes.

With net profit after taxes and dividends of \$ 113 million the 234 cooperatives earned and retained a low 3% of total assets. This retention rate is not sufficient for the cooperatives to maintain their existing equity base and definitely inadequate to provide any internal funding for investment in asset growth and new technology.

The inevitable consequence of such reluctance to earn and retain profits is that the currently safe debt to equity ratio will be eroded and the technological gap between cooperatives and proprietary companies will continue to widen.

Australian agricultural cooperatives vary in size, but are predominantly small and regional in nature.

Asset Size of AAC

Less than 1 million \$	...	...	59%
1-5 million \$	...	...	22%
5-10 million \$	...	...	5%
10-20 million \$	...	...	4%
20-50 million \$	...	...	5%
50-100 million \$	...	...	2%
More than 100 million \$	...	...	3%
Total	...	...	100%

Typical Australian Cooperatives are small with the overwhelming majority having control of assets of less than 5 million dollars. This indicates that such cooperatives tend to be regional rather than national, and that many are what was previously referred to as "supplier cooperatives", thus not needing substantial asset bases as their role is the collective sale of unprocessed farmer produce to non-cooperative processors.

However, the predominance of cooperatives with relatively small asset bases should not lead to the conclusion that cooperatives play a minor role in the Australian rural scene. The more appropriate conclusion is that only a small proportion of cooperatives are involved in heavily capitalised value adding processor roles. It is also fair to say that in those processing roles that acquire substantial capital investment there have been many mergers and amalgamations with the resulting cooperative being very large in size.

All sectors have a number of small cooperatives, but industries such as dairying with a focus upon processing of farm produce also have cooperatives with a very substantial asset base.

a. Dairying

The Australian dairying sector is dominated by the cooperative movement which collects approximately 80% of all milk and physically processes more than 50% of the aggregate volume. In recent years dairy cooperatives have embarked upon a merger and rationalised strategy to ensure that they remain competitive. Consequently a number of very large and very powerful dairy cooperatives have emerged.

b. Sugar

Sugar cooperatives can either be sugar milling organisations or simply sugar cane

supply associations. Within Australia there is a good balance between cooperative and proprietary milling, but in recent years a number of cooperatives have either sold to proprietary companies or listed their shares and assumed listed company status. Thus despite the size of sugar cooperatives and their importance within the sugar industry their influence is being to wane.

Seven of the 15 sugar cooperatives were in milling operations and each of these seven had assets in excess of 20 million dollars with one having responsibility for assets in excess of 200 million dollars. The milling cooperatives were all profitable with all recording in excess of 1 million dollars profit after tax and dividends. The remaining eight sugar cooperatives were in cane cutting operations, all with assets, turnover and profits of less than 1 million dollars. The Australian sugar industry has recently experienced significant deregulation and now must compete with imported sugar. Thus processor rationalisation is occurring at both the cane crushing and sugar refining ends of the industry.

Sugar mill cooperatives have, over many years, developed strong, even conservative balance sheet structures and with an average 73% shareholders funds to total assets these cooperatives operate from a commercially sound financial base.

c. Fishing

Australian fishing cooperatives are mainly coordinating the sale of fish caught by owner operated trawlers. This role explains the very low asset investment of fishing cooperatives with 20 of the 32 cooperatives reviewed owing assets of less than 1 million dollars each. Only one cooperative had responsibility for assets exceeding 10 million dollars.

In general, fishing cooperatives are small, service-oriented and possessing significant debt burdens. They do not strive for substantial profits nor do they achieve them.

The fishermen cooperatives appear to operate principally as marketing cooperatives for their independent fisherman supplier/owners. The total sale reported by these cooperatives is a relatively minor 120 million dollars on a low asset base which in 67% of cooperatives amounted to less than 1 million dollars in total assets. Retention of profits is virtually non-existent.

An accurate, yet general assessment is that the fishermen of Australia do not appear to perceive their cooperatives as major processors of their catch.

d. Artificial Breeding

Herd improvement cooperatives are mainly associated with the dairy industry. They are small in asset size but very influential in contributing to the productivity of dairy farmers. This contribution towards dairy farm productivity has become important to farmers who are increasingly likely to be paid for the protein and fat composition of their milk and not simply for litres or fat alone.

Eight of the 11 cooperatives each had assets of less than 1 million dollars and only one had assets exceeding 5 million dollars. These cooperatives are 50% funded by members through the ongoing retention of relatively small profits from small financial turnovers. Considering their role as service-oriented organisations their financial structure is both secure and appropriate.

e. Livestock

Despite their relatively low investment in assets the 16 livestock cooperatives aggregated over 771 million dollars in sales turnover. These cooperatives are mainly marketing organisations servicing the distribution needs of their farmer shareholders.

Nine of the 16 cooperatives controlled assets of less than 1 million dollars and only 3 each had responsibility for in excess of 20 million dollars of assets. As a group the role and function was too diverse to permit a meaningful aggregation of a balance sheet but members equity at 54 million dollars represented 89% of assets and nearly all the debt funding was in the form of current debt associated with the funding of inventory and receivables.

Australian livestock cooperatives ranged from sale yard management cooperatives to large scale meat processors. The largest livestock cooperative had an annual turnover of in excess of 500 million dollars with the second largest in excess of 100 million dollars.

f. Grain and Crops

Only 7 of the 25 cooperatives controlled assets of 5 million dollars or more but 3 of these had responsibility for assets exceeding 100 million dollars each. Thus the financial statistics are obviously heavily influenced by these three organisations.

The large grain and cotton cooperatives operate principally as marketing organisations. Shareholders funds of 199 million dollars is a low 25% of total assets but this is understandable for organisations that correctly fund circulating assets such as inventory and receivables predominantly with trade credit from supplier owners.

Only 3 of the 25 cooperatives reviewed earned profits of more than 1 million dollars, with one of these earning more than 20 million dollars. Thus the aggregate 36 million dollars profit for the sector is not truly indicative, indeed 10 of the 25 cooperatives incurred a net deficiency after tax and dividends.

As previously mentioned, 3 of the 25 cooperatives dominated the financial statistics of this sector. There is virtually no commitment of capital by members and with such minimal capital, even inclusive of reserves, it is unlikely that members have a true sense of 'belonging' to these cooperatives.

g. Fruits and Vegetables

The Australian horticulture industries are currently experiencing major hardship as

a result of very cheap imports (citrus juices in particular) and highly competitive export markets.

Australian horticulture cooperatives tend to be small and very competitive between each other and there is an obvious need for them to rationalise through amalgamation and merger.

Once again there is clear evidence of an inability to earn and retain profits sufficient to service asset growth, with profit retention of 1.4 million dollars representing less than 1% of total assets. It is anticipated that performance this year will result in negative returns.

Although the equity funding is relatively secure there is no substantial margin of security for these cooperatives given that many operate relatively low volume packaging sheds. A total of 29 of the 46 reviewed control assets of less than 1 million dollars and only has assets of more than 50 million dollars. With such large numbers of competing cooperatives the prospect for realistic and sustainable profits are slim and it will not be surprising to see the debt dependence increase in future years. There will inevitably be corporate failures within this group of cooperatives and this natural commercial attrition will result in business volumes increasing for the remaining cooperative and proprietary companies.

The opportunity exists for meaningful and planned rationalisation but current indications are that narrow regional jealousies will hinder this process. The majority of fruit and vegetable cooperatives are marketing or packaging operations. The few large ones are involved in processing and juicing.

Issues and Constraints in Promoting Agricultural Production by Cooperatives

Agricultural cooperatives are and will continue to be an important influence on the supply, processing and distribution of primary industry goods in Australia. Consistent with their non-cooperative competitors they are required to adjust to harsh and difficult economic times and to compete in markets unduly influenced by highly subsidised foreign farm production.

However, the current Australian government policy of exposing all sectors of primary industry to domestic and international competition will result in a cooperative movement that will become more technologically advanced and cost efficient thus complimenting the rationalisation that has become a feature of farm production within this country. Australian agricultural cooperatives will continue to merge and consolidate and as a result become more national rather than regional in character. The challenge will be for them to maintain their farmer loyalty as they become larger and more remote from their earlier regional bases. This loyalty will only continue if relative to their proprietary company competitors they are efficient and able to retain farmer payment leadership.

There is an urgent need for the management of Australian agricultural cooperatives to develop more innovative share capital arrangements in order to encourage increased equity contributions from their farmer shareholders. The American style revolving capital concepts do not exist in Australia, but they may need to be introduced if our cooperatives are to be adequately funded for their future expanded national roles. In addition the management and boards of directors must accept the commercial reality of the need to earn and retain profits to assist the part equity funding of essential investment in new technology and plant and equipment replacement. Failure to address these issues of equity funding will limit the future role and capacity of the cooperative movement in Australian agriculture.

The domestic market within Australia is being increasingly influenced by a consolidation of retail influence into the hands of very limited number of supermarket chains. Each of these retailers have substantial buying power both domestically and internationally. There is consequently a need to *minimise destructive price cutting competition between suppliers* and a need to minimise all agricultural costs. Both these needs are better achieved through amalgamation and rationalisation of cooperatives so that there can be an element of countervailing power with retailers. The achievement of this balance is essential if farm returns are to remain sufficient to achieve viability and an ongoing motivation to produce.

Finally Australian agricultural cooperatives must expand their function of farm liaison in order to provide economic and expert services to farmer shareholders in order to further improve farm productivity. These services should not only include technical services but also better access to fertilisers, research findings, markets, institutional finance and insurance. The future of cooperatives must be expanded to ensure ongoing loyalty of members and improvement of their productivity and viability.

China

Jiangsu Province is situated in the eastern part of China, lying in the transition zone from the subtropics to the temperate zone with mild climate. In the province, there are vast plains interspersed with hills and shoals. It covers an area of 102,600 square kilometres and has a population of 67 million. The industry and agriculture in Jiangsu Province are well-developed. In recent years, the total industrial and agricultural output value in Jiangsu Province ranked first in the century. In agriculture, there are plenty of rice, wheat, cotton, rate-seed, peanut, tea and so on, so it is well known as "a land of fish and rice". The industry is mainly composed of textile, machine building, hardware, chemical industry, electronics, foodstuff, building material and so on. Among them silk reeling and silk weaving occupy an important place in the whole country.

Jiangsu Provincial Federation of Supply and Marketing Cooperatives (JPFSMC) is located in Nanjing, capital of the province, and has 12 provincial corporations including agricultural means of production, native produces, fruits and groceries, cotton and jute, material recovery, supply and marketing building, industrial products, daily necessities, storage and transport, Tienjing Grand Hotel, tourism, scientific and technological development corporations. In the whole system, there are 11 municipal (municipalities under the jurisdiction of the provincial government) and 84 county level (including 17 cities of county level and 19 suburban districts) federations of supply and marketing cooperatives and 2,000 supply and marketing cooperatives at the basic level. In addition, there are 99 schools including 3 technical secondary schools and 7 workers' polytechnical schools. This system has 370,000 staff and workers plus 110,000 workers from collective commercial units under its direct administration.

The supply and marketing cooperative is a principal channel for the interflow of commodity between the city and the countryside, through which the circulation of a great quantity of commodities is accomplished. The supply and marketing cooperative system has a wide market and a unique system for the procurement of supplies, production and marketing. The supply and marketing cooperatives in the whole province have more than 30,000 business organs including 24,000 retail stores and over 500 large and medium-sized department stores each with an operating space of over 300 square meters. The annual sales of commodities of the whole system amounts to more than 40 billion Yuan, making up over 40% of net gross sales of social commodities in the province.

The business scope of the supply and marketing cooperative system in this province

mainly is agricultural means of production (including chemical fertiliser, farm chemicals, plastic film, etc.) cotton, grains, jute, tea, fruits, silkworm cocoon, flue-cured tobacco leaf, other agricultural and side-line products, native produces and special products, daily necessities and groceries, material recovery, tourism, industrial products as means of subsistence of the people, procurement of raw and supplemental materials for rural industry, sale of its products, multiple industries such as cotton ginning, machine building, textile, spinning, garment, furs and leather, chemical industry, electronics, building material, metallurgy, paper-making, hardwares, wooden furniture, food processing, waste material processing, car manufacture and so on. There are 30 odd trades and varieties, and over 2,400 industrial enterprises with an annual output value of 5 billion Yuan.

Since the introduction of reform and opening policy in our country, in order to suit the demand of the peasants to develop commodity production, the supply and marketing cooperatives in the province have joined hands with the peasants to establish nearly 3,000 various specialised cooperatives, over 900 specialised associations and 140 specialised markets backed by the supply and marketing cooperatives. We are making efforts to turn the supply and marketing cooperatives into all purpose service centres in the rural economy of our province.

In recent years, with the implementation of reform and opening policy in our country and the carrying out of strategy to develop economy in the coastal regions, the supply and marketing cooperatives in our province also has a good beginning in the development of export-oriented economy with an annual export value of more than 1.1 billion Yuan. The varieties of export commodity mainly are cotton and jute, native produces, silkworm cocoon and silk, animal by-products, cereals and oil-bearing crop, dried and fresh fruits and vegetables, tea and multiple industrial products. Progress has been made in the aspects of utilisation of foreign capital and introduction of technology. Now in the whole system there are 68 enterprises for processing export commodities which have earned approximately 30 million US\$ by exporting commodities, and 20 odd Chinese foreign joint ventures, of which most products are sold on the world market. These, however, are quite limited, we shall work still harder to expand the economic and technical cooperations and trade relations with foreign countries in a wider range, so as to speed up the development of our export-oriented economy.

India

Most of the developing countries in the Asian region are confronted with a number of socio, economic, administrative and political problems. In order to usher in an era of peace, progress and prosperity, a number of strategies have been adopted, schemes conceived and implemented but the problems still persist. The latest strategy of rural development seeks to achieve total development by delivering a package of services not only in economic field but also in establishment of infrastructure for providing basic amenities.

India has adopted the policy of a planned economy to provide a new environment for social and economic development of the country. To put the economy on an optimum growth path and reorient the social structure for maximum social welfare is the main objective of our planners. Cooperative is one of the most important tools of the social transformation. It is rightly observed that cooperatives are the only penance for all the maladies both social and economic specially of the rural sector. Eminently suited to our cultural heritage and present conditions of our country, cooperative movement is a commitment to development. Architect of Modern India, Mr. Jawahar Lal Nehru, has described cooperatives as a necessity in economic structure in India.

Agriculture forms the bed rock of Indian economy. About 70% population of the country depends upon agriculture directly. In an agrarian economy like India, importance of agriculture can hardly be over-emphasised. It is the most risky profession. The involvement of cooperatives in agriculture and rural development has been well recognised and they have played a crucial role in its development. They are the organisations for raising productivity, extending improvements in technology and expanding the employment. Cooperatives cover the length and breadth of the country side. They act as a nucleus of development as they have both economic resources and people's acceptance. Presently scope of cooperatives embraces all aspects of agricultural development including the allied sector like credit, marketing, distribution, processing and so on. Agro-cooperatives are most potent organisations. The need for setting up such organisations arises when the margins between the procurement prices and consumer prices are too wide, when outlets are too narrow, price changes too much and too often.

Cooperative is not in any way new to India but formally it was introduced in the country in 1904 when the first Cooperative Societies Act was passed. The movement, as business entities, on the whole, did not make a substantial progress during the pre-independence period because of general lack of cooperative principles,

inefficient management, excessive overdues, lack of education and training among members and staff, and opposition from money-lenders.

After independence of India, particularly with the advent of planning cooperatives got a significant place in economic policies of the Government of India. The first Five Year Plan went to the extent that the success of plan would be judged by the extent its programmes were executed through cooperatives. It was visualised that the cooperative sector was to emerge as a strong balancing sector between the private and public sector, ultimately establishing in the country 'cooperative common wealth' and making cooperatives a common thinking of people of India.

Today, cooperative movement in India has emerged as one of the largest in the World. There are 3.50 lakh cooperative societies with a total membership of 15 crores and a working capital of about Rs.55,000 crore as on 30th June 1989. The achievements during 1988-89 surpassed previous accomplishments. Agricultural credit disbursed by the cooperatives reached the level of Rs.5,442 crore in 1988-89 as against Rs.4,400 crore in 1987-88. The value of agricultural produce marketed by cooperatives during 1988-89 increased to a record figure of Rs.5,415.65 crore as against Rs.4,000 crore during 1987-88. Cooperatives distributed about 35 lakh tonnes of fertiliser nutrients during 1988-89. Cooperative sugar factories produced 50.7 lakh tonnes of sugar accounting for 57.5% of the national sugar production of 87.5 lakh tonnes during 1988-89. Creation of storage facility is an essential aspect of provisions of post harvest technology support to farmers. The cumulative storage capacity in the cooperative sector arose to 109.39 lakh tonnes by March 1988-89. Activity-wise achievements of cooperatives are given below:

Cooperative Marketing Structure

National Agricultural Cooperative Marketing Federation of India Limited (NAFED), at the national level coordinates the marketing functions along with 2,633 primary cooperative agricultural marketing societies and 3,290 special commodity societies. During 1988-89, cooperatives marketed agricultural produce amounting to Rs.5,415.65 crore. Cooperatives accounted for 21.5% of national procurement of wheat and 18.57% of cotton during 1988-89. In respect of jute, cooperatives handled 2.17 lakh bales i.e. 32% of national procurement. NAFED has been approved as nodal agency for implementing price support scheme in respect of oil seeds, pulses, cereals. Under marketing intervention scheme, NAFED purchased 39,278 metric tonnes onions during 1989 to save farmers from distress sale.

Cooperative Processing

National Cooperative Development Corporation (NCDC) is promoting and assisting processing activities in cooperative sector. The number of cooperative agro-processing industries organised upto 1988-89 increased to 2,422 from 326 in 1962-63.

Cooperative Sugar Factories

Sugar cooperatives have achieved a notable success. 214 sugar factories have been established in this sector and during 1988-89 they produced 50.7 lakh tonnes of sugar.

Cooperative Spinning Mills

There are two types of spinning mills organised in the cooperative sector in terms of their ownership and basic objectives. The grower mills are set up by the cotton growers and their cooperatives, so as to enable them to market their produce at remunerative price, while the weavers' cooperative spinning mills are set up by weavers and their cooperatives to ensure availability of quality yarn at reasonable prices. On 31 March 1989, 108 cooperative spinning mills were in production and another 14 were under installation. The total spindelege in the cooperative sector is of the order of Rs.28.60 lakh accounting for 20% of the total spindelage in the country. The yarn exports by cooperatives registered a remarkable rise from 17 lakh kgs. valued at Rs.5.97 crores in 1983-84 to 121 lakh kgs. valued at Rs.55 crore during 1988-89. Integrated cotton processing projects in 5 major cotton processing States have been taken up for implementation by NCDC under World Bank aided Agro Industrial Project. In these plants, cotton ginning, processing and spinning are integrated.

Cooperative Oilseed Processing

Upto the end of March 1989, 132 oil seed processing units have been organised out of which 112 have been installed. Cooperatives has assumed a leading role in marketing and processing of oil seeds. NCDC has established a number of oil seed processing units with assistance from World Bank and European Economic Community (EEC). One soya processing unit with a capacity of 60,000 tonnes per annum, three ground-nut/mustard seed complexes, one cotton seed, two vanaspati units and two soyabean refineries are being installed.

Cooperative Storage

Storage capacity is basic necessity of an agriculture cooperative. Godowns with storage capacity of 109.79 lakh tonnes have been completed by March 1989 and about 48,000 PACS and most of the marketing societies at various levels now have their own godowns. During 1989-90, it has been planned to create additional storage capacity of 3.25 lakh tonnes. 239 cold storage with a capacity of 6.79 lakh tonnes has also been constructed in the country at the end of March 1989.

Distribution of Agricultural Inputs

Cooperatives have played a significant role in distribution of agricultural inputs. There are nearly 76,000 fertiliser retail outlets in the cooperative sector which

reached even remote and difficult areas and they are estimated to have distributed about 35 lakh tonnes of fertiliser nutrients during 1988-89. The value of agricultural inputs i.e. seeds, pesticides, etc. during 1988-89 is estimated to be Rs.1,956.16 crores. The Indian Farmers Cooperative (IFFCO) and the Krishak Bharti Cooperative (KRIBHCO) continued to be the leading manufacturer of urea, DAP, NPK and produced 18.95 lakh tonnes i.e. 21.14% of total indigenous N&P production during 1988-89.

Cooperatives for Weaker Section

The major objective of the cooperative development programme is to ensure that the benefits of cooperative activities flow increasingly to weaker sections of the society. To obtain this objective, functional cooperatives like dairying, poultry, bee-keeping and fisheries are organised. During 1988-89, NCDC released an amount of Rs.19.141 crore to the weaker section of cooperatives.

Integrated Cooperative Development Project

With the objective of developing Primary Agricultural Credit Societies (PACS) as multipurpose societies to provide support for agricultural development and strengthening cooperative infrastructure in allied sectors and to ensure remunerative prices to farmers, NCDC has taken up Integrated Cooperative Development Projects (ICDP) for selected districts of the country.

In spite of the achievements of the cooperatives there has not been a consistent and uniform development all over the country. In fact the progress of the movement is dependent on numerous factors such as dedicated leadership, professionalised staff, sufficiency in funds, business on prudence lines, cohesion between various tiers, size of State climate and topographic conditions, lesser interference from the above, faith of the beneficiaries in the theory, and practice of cooperatives, etc. If we analyze some of the major problems faced by the agricultural cooperatives, we find that there has been gross regional imbalances. For example, in cooperative marketing only five States contribute about 80% of agricultural produce marketed. Similarly, one-third of the agri-cooperatives are virtually dormant. Most of the agricultural cooperatives survive by acting as a Government Agent and not at their own. Lack of competent, efficient and dedicated personal is glare. There is a stiff competition to agricultural cooperatives from public sector agencies. Agro-processing cooperatives suffer from sickness. State interference in democratic functioning of these cooperative societies has impeded their efficient growth.

Suggestions for Business Development in Agricultural Cooperatives

I. Removal of Harsh Rules

In fact cooperative movement by its very concept should be a movement of people,

for the people and by the people. The cooperatives must, therefore, be managed by the elected managing committees. At present cooperative law in India provide harsh rules and regulations which empowers the Registrar of Cooperatives/ Government to interfere in the affairs of the societies. The Government can suspend the managing committees or its members, can appoint an administrator, impose any bye-law and issue directions to a cooperative society. After a persistent demand by the 'cooperators' and on the recommendations of Chowdhary Braham Prakash Committee, Government of India has drafted a model cooperative law which aims to restore the spirit of self-reliance and member participation in the affairs of the cooperatives. The role of the Government is to be restricted to registration, inspection and winding up of the Cooperative Societies.

II. Cooperatives as Third Sector of the Economy

Indian Cooperative Movement in terms of membership, working capital and business operations at present ranks as one of the largest movements of the world. The irony, however, is that cooperatives have not been recognised as an important vehicle for the economic change. In its 5 year plans, whereas private and public sector have been getting clear cut outlines in the successive 5 year plans, cooperatives are still to be recognised as a full-fledged sector so that it can avail of financial outlays and ensure its proper existence for undertaking its activities in a well defined area. In case cooperatives as recognised as third sector in our mixed economy, the days would not be far off when these organisations would be able to strengthen their institutional structure at all levels to provide the farmers, workers and artisans increasing share in production and productivity, provide remunerative prices, expanding employment opportunity and building a chain of agro-processing units for their ultimate economic viability.

III. Expansion of Existing Crop Insurance Scheme

As already stated agricultural cooperatives in India have to play a game of gamble due to uncertainty of weather and other natural hazards. It was about 7 years ago, i.e. in 1985 that a comprehensive crop insurance scheme covering the major cereal crops, oilseeds and pulses was introduced so that poor farmers are saved from the vagaries of weather. The scheme is working efficiently, it would be in the interest of increasing the cooperative business that this scheme further covers even those crops which are not susceptible to the natural hazards.

IV. Provision of Farm Service Under One Roof

An another way to increase the efficiency and efficacy of agricultural cooperatives in the business is to avoid all the desired farm services to the producer under one roof. In other words the pace of Green Revolution in the country would be further accelerated by setting up farm service centres, extending mobile soil testing facilities, collaborating with functionaries of extension departments, arranging demonstrations and to hold regular meets to discard the centuries old cropping tools

and switching over to scientific innovation as well as cash crops. This way the farmers can be made aware of the latest cropping pattern to increase their productivity.

Apart from providing agricultural inputs to the farmers, post harvest facilities such as transport, storage and grading etc. would also be required to be provided at the door steps of the farmers by the agricultural cooperatives. Agricultural cooperatives should also advise and provide facilities to the small and marginal farmers to adopt allied activities to supplement their income.

V. Strengthening of Marketing Intelligence

The business development in agricultural cooperatives can be strengthened in case marketing intelligence in regard to wholesale prices of different varieties and qualities of agricultural produce both in raw and processed form, the trend of market arrivals at important consuming and terminal markets are brought to the knowledge of the farmers living right upto the remotest areas. Although the national federation of agricultural cooperatives has been providing this sort of service, it is confined to State Federations and that too very late. Marketing intelligence would act in a similar fashion just as the brokers constantly keep their clients informed about the advisability of sale and purchase of capital issues. As such, it should be the endeavour of every State Federation to provide marketing information to its customers/members through the bulletins so that it can create a sense of confidence in the farmers about the utility, ability and dependability of the agricultural cooperatives.

VI. Price Fluctuation Fund

Of late, our Government has come out with a price fluctuation fund for streamlining the business in agricultural cooperatives. According to the scheme, standing arrangements have been evolved to ensure that the price support, market intervention, is undertaken as soon as the prices fall below the prescribed level anywhere in the country. For this purpose, National Cooperative Marketing Federation acts as the nodal agency. The scheme has to be implemented in letter and spirit in such a manner that small and marginal farmers are given benefits to the maximum. For this purpose, every society must earmark in its resources a special fund known as price fluctuation fund which may be utilised to absorb price fluctuation shocks.

VII. Installation of Agro Based Processing Units

Time has now come that agricultural cooperatives have no other alternative but to shed the traditional actions performed by them. Cooperatives at all levels would have to enhance its share in agro-processing to strengthen its viability, providing a gainful link between the growers and customers and ultimately widening the rural industrialisation. The need for installing processing units becomes all the most important due to its growing potential and glut of agricultural produce, fruits and vegetables in some of the regions.

VIII. Cooperative Education and Training

Ideally the formation of primary cooperative society should be based upon the realisation among the group of people that they would be able to improve their economic position if they join together and form a cooperative society to render services to themselves. When analysing the position of primary cooperatives the absence of awareness is but one of the reasons for an often discouraging records regarding the primary agricultural cooperatives. The introduction of cooperatives has been initiated by the governments who have either over looked and/or being ignorant about the fact that a successful cooperative pre-supposes cooperative awareness among the members. The need of the hour is to create an awareness among the masses about the cooperative philosophy, principles, theory and practices.

As such comprehensive and well directed member education programme would have to be initiated. It would call for a relentless effort on the part of agriculture cooperatives. Education programmes may be conducted in the regional languages possibly during the lean seasons or on the eve of general body meeting with the provision of light refreshment by employing a combination of audio-visual aids and mass publicity. The cooperative education should be integrated at various levels in syllabi of general education system and with the national drive for the promotion of literacy and adult education. The real beneficiaries of cooperative education programmes are those organisations which are engaged in business, hence, the funds for conducting these education programmes would have to be borne by the cooperatives themselves. Generally there is a ill-notion that those societies which are in red should be exempted from education funds. But this argument is not at all tenable. In fact education programme if launched in true spirit and in right direction, would be more beneficial to those societies which have been incurring losses or have a long list of overdues recoverable from members.

IX. Building a Strong Net Work of Professionalised Human Resources

With the increase of volume of business operations of the agricultural cooperatives, especially in marketing and processing cooperatives, it requires professionalised staff who are well-versed with the various facets of the management techniques. Given the small size of the cooperatives, low wages being paid to the staff almost nil chances for mobility and advancement, experience shows cooperatives failed to attract talented and efficient staff attuned to the cooperative ideology. Cooperatives like the private and public sector would have to act as model employer and then only young Chief Executives duly groomed in the art and science of cooperative administration can be inducted. The professionals may be hired from specialised and technical positions as an interim measure from the functional departments. At the apex level, a team of professional managers would have to be developed, common cadre for the key personnel at the primary level, would ensure job efficiency and adequacy. Promotional and training avenues and special benefits to exceptionally competent personal would help the cooperatives to compete with the other sectors

in the field of professional management.

These steps would ensure that agro-cooperatives be able to face the challenges of 21st century with more strength and vigour resulting in minimising the eventualities of sickness.

Indonesia

Introduction

Indonesia is a country which consist of more than 13,000 islands with the area of 2 million square kilometres. Administratively, the Republic of Indonesia is derived of 27 provinces which are divided into districts/municipalities. Every district/ municipality is divided into sub-districts which are in turn divided into villages. The Indonesian population in 1992 is approximately 184 million people.

Developing of cooperative movement in Indonesia is a must according to article 33 of the Indonesian Constitution adopted in 1945 and its explanation. This article provides cooperative societies with many opportunities to carry out their mandated functions in order to develop and improve the welfare of the Indonesian people. Cooperatives are regulated by the cooperative law (No.12 of 1967).

Under the guidance of Government, the cooperative has been developed tremendously. Before 1977 when the cooperative affairs were attached to the Ministry of Trade and Cooperatives, only a few cooperatives had been developed. After 1978, cooperative affairs were undertaken by a specially designated Junior Ministry which became a full Ministry in 1983. Since then, the Cooperative Movement has made substantial progress and the number of societies increased to approximately 37,000 with about 20 million members with a volume of business turnover of about US\$ 2 billion.

This paper will focus an overview of the development of dairy cooperatives in Indonesia.

Dairy farming in Indonesia was introduced by the Dutch societies at the end of 19th century. After the second world war and Indonesia's independence in 1945, local farmers started small scale dairy farming activities individually. The first dairy cooperative was established in Pangalengan, Bandung, West Java in 1948 and followed by other cooperative in Boyolali, Central Java and Pujon, Malang, East Java in 1960s.

Along the line with the 3rd National Development Programme, PELITA III, in 1978, 17 primary cooperatives established the Union of Indonesian Dairy Cooperatives (Gabungan Koperasi Susu Indonesia - GKSI). The main objective of strengthening the bargaining position of dairy cooperatives in the national dairy development in order to increase members' income.

During 1978-83 approximately 53,000 heads of dairy cattle (Friesian Holstein Breed) were imported from Australia and New Zealand. Since then the milk production has increased tremendously and dairying in Indonesia has developed very fast. Today, GKSI has 201 members consisting of primary cooperatives and dairy unit of village cooperatives spread out in 8 provinces.

Organisation and Business Activities

The Union of Indonesian Dairy Cooperatives (GKSI) is secondary national level cooperatives in dairy business which the members consist of primary dairy cooperatives and dairy unit of village unit cooperatives.

The affairs of GKSI organisation are managed by: (a) Board of directors/Board of executives, (b) Board of control, and (c) Board of advisory.

Daily activities of the organisation are carried out by Board of Executive of the management. The business activities of GKSI is mainly in dairy which follows the agribusiness pattern. The three sub-divisions are :

- i. Pre-production, which includes breeding, milk equipment, dairy cattle feed and medicine. Part of the activities are carried out by cooperatives.
- ii. Process of production, which includes dairy farming management, milk handling, input distribution and cooperative management are solely handled by primary cooperatives.
- iii. Post-production, which includes fresh milk distribution, processing and marketing of milk and milk products, and product development. Approximately 90% of milk produced locally by cooperatives is sold to private dairy industry and only 10% of cooperatives milk is sold directly to the consumers as pasteurised milk and yoghurt, while the private sectors produce milk powder, sweetened condensed milk and other dairy products and also carried out product development.

The activities carried out by cooperatives, both primary and secondary are based on the subsidiary principle. The principle is that the activities which cannot be handled by the lower level will be taken over (handled, supported and must not compete) by higher level.

Dairy business activities in Indonesia is unique compared with the other agribusiness pattern, when the market of milk produced by farmers is guaranteed due to the national consensus between the cooperatives and private industries and goodwill from the Government. Whatever the volume of milk produced by the farmers will be marketed by cooperative to private sector and the private sector must give priorities to use locally produced milk.

It took a long time to come up with the policy stated above. Before 1978, nearly all of the total national demand of milk was met by imported milk especially by the private

milk industries as their raw material for recombining process. There was no scope for dairy farmers to develop their activities. However, because of the strong will of the Government to create, motivate and develop rural business activities especially in agriculture, the small scale dairy farming business was started by providing imported dairy cattle to the farmers through cooperatives under a soft loan credit scheme.

Since then the policy of milk import has been regulated by the Government through all ministries related to the dairy business, e.g. Ministries of Industry, Trade, Cooperative and other Government bodies. The policy was a ratio system which concern about the balancing of milk demand and supply. Imported milk is only for making up the shortage of the national demand. How much milk should be imported must be calculated based on how much milk produced locally and how much is the demand in a particular period. There is a team namely "Technical Dairy Team" comprises of government bodies related to the dairy business for setting the ratio of milk importation. The team meets every 6 months together with the representative of private milk industries and cooperatives to evaluate and set a new ratio.

At present only 40% of the total national demand for milk is met locally, the rest is imported. It is obvious that by increasing local milk production, the milk importation will be decreased gradually. In 1983 the ratio was 1 to 20 which means that every one litre of local milk absorbed by private industries, the private industries are allowed to import milk equal to 20 litres. Today the ratio is 1 to 2.

Basically the policy creates a condition that gives the dairy farmers a staple and continuous business due to guaranteed market, hence providing a certain continuous income.

Conclusion

It is a favourable condition for developing dairy business in Indonesia which was created by all parties concerned, e.g. government, private sectors, cooperative and the farmers. There is plenty of scope for increasing locally milk production to substitute imported milk.

Some problems which are faced by dairy cooperatives at present are mainly lack of qualified human resources and lack of finance to develop the business. We will never stop trying our best to develop the dairy business in Indonesia in the future.

Malaysia

Agriculture in Malaysia

Malaysia covers a total land area of about 128,148 sq. miles (32.8 million hectares) of which Peninsula Malaysia covers 40%, Sarawak 37% and Sabah 23%. About 47% of the total area (15.4 million hectares) are estimated to be suitable for agriculture, half of which are already under agricultural use. 40% of Malaysians work in the agriculture sector.

Malaysian agriculture is commodity-oriented with the plantation sector which is commercially biased, concentrating on exportable crops such as rubber, palm oil, fruit, pepper and cocoa. This sector is efficient, well organised and export-oriented. Another sector of the Malaysian agriculture is the less organised, less efficient and of subsistence or slightly above subsistence income level. A high incidence of poverty occurs among the small farmers especially in the rubber and paddy small-holdings.

Despite the strong urban pull and the current trends towards urbanisation, 70% of Malaysians still live in the rural areas. A majority of the population in the rural areas are Malays.

The New Agricultural Policy introduced a decade ago continued to pursue ongoing land development and settlement schemes, and the consolidation and improvements of existing traditional farms, with greater attention being given to uneconomic farms with unprofitable crops, and of low productivity. To this end, mechanisation, promotion of group farming, with centralised management, and the intensification of integrated support services and credit for selected crops are encouraged.

Agricultural cooperation, especially in traditional villages shall play a vast role in meeting the above stated objectives of the New Agricultural Policy. With farmers organised into cooperatives, modernisation of smallholding agriculture can be accelerated through improved agricultural education, extension services, introduction of new farming techniques and crop diversification, acceleration of land alienation and land development and the creation of an efficient agri-support institution capable of meeting the basic needs of the small-scale farmers.

The Cooperative Movement in Malaysia

A cooperative is an organisation consisting of groupings of many individuals or groups with the objective of performing a mutual economic interest. It is built upon

the foundation of open and voluntary membership, democratic control through the principle of one man one vote, system of franchise, patronage dividends rather than share dividends and limited capital outlay.

In Malaysia cooperatives are formed through the pooling of resources from members of the public. The organisation and objectives are defined clearly in the by-laws as determined in the annual general meetings. The statute that regulates the cooperative movement in Malaysia is the Cooperative Ordinance 1948.

As at the end of 1990 there were 3,917 cooperatives in Malaysia involving 3,275,677 members.

The Registrar of Cooperatives oversees the entire cooperative movement in Malaysia. However, cooperatives in the State of Sabah and Sarawak are under the purview of the Cooperative Development Departments of Sabah and Sarawak respectively, while the agro-based cooperatives and the fisheries cooperatives are under the jurisdiction of the Farmers Organisation Authority (FOA) and Fisheries Development Authority (FDA) respectively.

The strongest sector within the cooperative movement in Malaysia is the urban thrift and credit. Depending exclusively on member savings, the thrift and credit societies have been provided the bases for other cooperative developments such as insurance and housing. Other fields in which the movement have been active are: consumer, multipurpose, school and transport. Most of these developments are however confined to urban areas, and especially for thrift and credit cooperatives have been formed around institutions (teaching, government and police departments and industrial establishments).

In the rural areas cooperatives are confined mainly to villages, land development schemes, settlements schemes, farmers organisations and fishermen cooperatives. The most active of these are cooperatives in settlement schemes and farmers organisations.

To trace the progress of the cooperative movement in Malaysia, it is useful to trace its tracks since Malaysia achieved independence in 1957, and for Sabah and Sarawak after 1963. The immediate aim of the government then was to improve the living conditions and the standard of living of the rural people, through sufficient water supply, good sanitation, improved yields from farm lands, and financial aid through cooperatives. There were very successful interactions between the people and the government officials, as well as the government departments and agencies, each with its own special role and function with set targets and objectives, but with one common goal, i.e. the social and economic upliftment of the people.

The cooperative movement was chosen as one of the necessary vehicles for social and economic development. Emphasis were given towards the formation of rural cooperative credit societies and the rural cooperative shops using government funds to improve the rural economy. By the late 1960's there were about 3,000 coope-

rative societies formed and registered throughout the country, mostly in the rural areas.

However, those registered were not functioning well, perhaps due to the low literacy rate then. Small cooperatives were encouraged to amalgamate, gradually evolving into multipurpose cooperatives. Dormant societies were deregistered and larger societies were encouraged.

In 1973 the FOA and in the following year the FDA were formed to focus on agricultural based cooperatives in the rural areas and fishermen cooperatives. However, cooperatives in land development schemes are excluded from the FOA and FDA jurisdiction. 60% of all cooperatives in the early 70's came under the jurisdiction of FOA and FDA.

Cooperatives were encouraged to strengthen their membership and financial standing in an effort to prove that the cooperative movement is an important element in achieving the twin objectives of the national New Economic Policy of eradication of poverty and the restructuring of society. In 1976 the Cooperative Act was amended to encourage cooperatives to diversify and go into trading and industrial activities.

Cooperatives were then looked upon as a profit making functionary, rather than conforming to the cooperative ideals of cooperation among members. A cooperative should be: of the members, by the members, and for the members. Member education was lacking, and concentration was given to development - membership-wise, asset-wise, function-wise and profit/dividend-wise. Cooperative success was measured by such yardsticks.

The new economic era was launched in January 1982 to streamline and activate the cooperatives. Weak and errant cooperatives were deregistered. New types of cooperatives were introduced to facilitate development. For being more well supervised, emphasis was given to school cooperatives, land development scheme cooperatives and cooperatives under FOA and FDA.

The Cooperative Act was again revised in 1983 to suit the changing times and to give the cooperatives a chance to participate in the economic development programmes of the nation.

Cooperatives were allowed to collect deposits from the public through a provision of section 31 of Cooperative Societies Act 1948, which allows cooperatives to receive deposits from members and non-members. Subsidiaries were formed by cooperatives through a provision in Section 2, 30, 33 and 35A and also the rules 10B and 12A which allows cooperatives to form subsidiaries. Cooperatives became a source of 'cheap finance' and 'saviour for business' which resulted in the Central Bank of Malaysia freezing the deposit receiving cooperatives in 1986.

The fiasco in the mid 1980's made the government more cautious. Cooperatives are

now discouraged from forming subsidiaries with the motive of riding the cooperative vehicle. Subsidiaries should be used only if it directly benefits all members rather than the few that manage them. Cooperatives in Malaysia are now encouraged to fall in line with the original principles of cooperation to avoid discrepancies and mismanagement.

Agricultural Cooperatives

The Standard Industrial Classification (SIC) defines agriculture and agro-based activities as a continuous from production to processing of output from agriculture while the Food and Agriculture Organisation (FAO) defines agriculture as the close interaction between plants, livestock, human beings and the environment.

An agricultural cooperative is defined by law in Malaysia to mean any cooperative society of which principle objects or main functions concern agricultural production, agricultural credit, marketing or processing or any such commercial and trading ventures. Cooperatives in the rural areas where members are drawn from farmers directly or indirectly involved in agricultural production and downstream activities can be termed agricultural cooperatives. But fisheries cooperatives (unless involving agriculture) and village cooperatives which are not involved directly with agricultural pursuits can be excluded from the definition. also, 273 Farmers Associations under the patronage of the FOA although well managed and participating in agricultural and agro-based activities, are excluded from this exercise because these organisations are not cooperatives but merely groupings of people performing a common objective.

There are altogether 1319 agricultural cooperatives in Malaysia involving over 500,000 members with a paid up capital of about 150 million Ringgit.

Agro-based Cooperatives Under the FOA

There are 687 agro-based cooperatives registered under the FOA including 164 in rice growing areas of the Muda Agricultural Development Authority (MADA) and the Kemubu Agriculture Development Authority (KADA). The cooperatives under FOA are called Syarikat Kerjasama Asas Tani (SKATA).

The FOA was formed in 1973 to promote the development of agro-based cooperatives and farmers associations. It acts as the umbrella for these farmers institutions, and therefore enables better linkages between the government and the farmers. Its first task was to amalgamate these two rural institutions, the agro-based cooperatives and the associations into effective, viable and efficient farm organisations known as Farmers Cooperatives. The Farmers Cooperative is FOA's grass root executing machinery. It is supported by FOA's administrative staff located at the Farmers Development Centre (FDC) with office and training facilities. The FOA coordinates with other relevant government agencies and departments in order to serve the farmers effectively through the FDC. Thus the concept of Geraktani, which ensures

full utilisation of the FDC's as grass root centres for farmers receiving various services, and for ground level officers to plan and strategise their common efforts. In 1973, 1,536 cooperatives were brought under the wings of the FOA. Due to mergers and restructuring, the number of cooperatives were reduced to 812 in 1985, 755 in 1988, 703 in 1989, 697 in 1990 and finally 687 in 1991. These cooperatives flourished alongside the Farmers Associations in 210 Farmers Development Areas, the nucleus of which are the FDC's.

The above highlights the various business activities being undertaken by the agro-based cooperatives under the jurisdiction of FOA. However, 78% of these cooperatives operate either as multipurpose or village cooperatives, the activities of which are multifunctional. However, the business activities of these cooperatives centre largely around the village agricultural scene ranging from land clearing to crop marketing and processing, the supply of agricultural inputs and credit facilities to members. Some of these cooperatives operate grocery shops to provide for the members household needs,

In KADA and MADA areas, rice milling is the centre of business activities of these cooperatives.

The above agro-based cooperatives under FOA jurisdiction are able to set aside 15.5 million Ringgit worth of share-equity and brought about 242 million Ringgit worth of business activities.

Agricultural Cooperatives in Land Schemes

There are 414 primary and 4 secondary cooperatives established in the four land development and land settlement schemes in Malaysia involving 246,003 members at the primary level and 146,094 individuals and organisations at the secondary level. The four agencies involved in such land schemes are Federal Land Development Authority (FELDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA), Rubber Industry Smallholders Development Authority (RISDA), and South Kelantan Development Authority (KESEDAR).

There are 44 cooperatives in state land schemes and private land schemes are not included in these.

FELDA Cooperatives : The Federal Land Development Authority (FELDA), an agency created by an Act of Parliament in 1956, is entrusted with development of new agricultural holdings and resettlement of landless poor into various settlement schemes. To date, more than 118,000 families were resettled through these schemes, whereby each farmer (settler) owns between 3 to 5 hectares of land planted with permanent crops such as rubber or oil palm. To date, FELDA has developed over 800,000 hectares of land schemes. FELDA encourages its settlers to form cooperatives, mainly multipurpose cooperatives, to undertake various agricultural based business activities in the schemes.

The total investment by 103,291 members in the various FELDA cooperatives amounts to 23.3 million Ringgit. To date, the net worth of these cooperatives is about 70 million Ringgit. The total business done annually is about 25 million Ringgit or about 2 million Ringgit per month.

Besides the primary cooperatives, a national level secondary cooperative is formed to collect investments from member cooperatives, FELDA institutions, individual settlers and FELDA employees.

A total of 126,861 FELDA settlers and dependents are members of the FELDA Investment Cooperative together with 1,100 FELDA cooperatives and institutions. 18,000 FELDA employees and their dependents are also members of this cooperative.

By the end of 1991, a total of 87.85 million Ringgit were invested by various individuals and institutional members. Individual settlers contributions works out to 55% of the total, while settler cooperatives and institutions make another 19%.

The FELDA Investment Cooperative invests in 10 FELDA subsidiary companies and corporations which have a total paid up capital of 305.22 million Ringgit. The total investment of the FELDA Investment Cooperative amounts to 89.22 million Ringgit or 29% of the paid up capital of these companies and corporations. In at least 4 companies, the cooperative owns more than 51% of the total paid up capital, while in the rest, enough equity are being held to have adequate representation of the cooperative in their Board of Directors. Gradually the cooperative is increasing its stake in the rest of FELDA companies and corporations to make at least 50% of their total paid up capital.

FELCRA Cooperatives : The Federal Land Consolidation and Rehabilitation Authority (FELCRA) is a statutory body created by an Act of Parliament in 1965, with the objective of consolidating, rehabilitating and developing state lands or idle lands on the request by the state or individuals concerned, and transforming them into viable economic holdings. The beneficiaries are called participants. To date more than 200,000 hectares have been rehabilitated, consolidated and developed into oil palm, rubber cocoa, fruit trees and paddy holdings benefitting over 90,000 families.

Like FELDA, FELCRA encourages its participants to form cooperatives at the scheme level, since 1981, in order to encourage them to save, invest, and to be involved in the development of their schemes. There are in all 75 primary cooperatives called FELCRA Scheme Cooperative (KPR) with a total membership of 13,965 participants and shares worth 9.36 million Ringgit.

As multipurpose institutions, the KPRs undertake a variety of tasks relating to agriculture, tapping of rubber, transportation of palm oil fruits and rubber latex, trading, construction, supply of consumer goods, raising livestock and small scale industries. To date, 91 million Ringgit worth of business have evolved from these cooperatives or an average of 11 million Ringgit per year.

At the national level, a secondary cooperative called the FELCRA Participants Cooperative (KPFB) is formed, as an umbrella body for the KPRs and enlisting 68 of the KPRs as members with a total paid up capital of 2.532 million Ringgit. The rest are in the process of being enrolled as members.

FELCRA fully supports the KPFB by giving direction and assistance in enhancing its business. To date a total of 108.242 million Ringgit worth of business, ranging from trading and supply of agricultural input to FELCRA and among members, general agricultural works, credit and insurance, have been undertaken by the secondary cooperative. This works out to an average of 9.8 million Ringgit per year. KPFB also own a subsidiary company called KPFB Holdings (Pte) Limited which undertakes high investment and high tech activities as part of FELCRA divesture programme.

RISDA Cooperatives : The Rubber Industry Smallholders Development Authority (RISDA) is also a statutory body created by an Act of Parliament in 1972 to assist rubber smallholders in developing their rubber smallholdings into viable and economic farms either through replanting or mini estate development. RISDA is the fund manager of the Smallholder Rubber Replanting Cess, which collects cess from rubber smallholders and dishing out replanting grants to smallholder in need of funds for replanting their rubber holdings. To date more than 600,000 hectares have been replanted and developed by RISDA benefitting 600,000 smallholders.

RISDA promotes the setting up of the Smallholders Cooperative (KPK) since 1979. Until 1991, 62 district and regional cooperatives were formed enlisting 126,598 members with a paid up capital of 7.21 million Ringgit.

These KPK are multipurpose cooperatives undertaking various agricultural and trading pursuits mostly related to RISDA activities. To date a total of 81.4 million Ringgit worth of business activities were done by these cooperatives or an average of 6.8 million Ringgit per year.

At the national level, the National Rubber Smallholders Cooperative (NARSCO) enlists all 62 KPKs into one single umbrella body. With a paid up capital of 0.5 million Ringgit, it has managed to evolve 112.4 million Ringgit worth of business activities or an average of 9 million Ringgit per year. Most of these activities are RISDA related activities such as supply of agricultural inputs, rubber marketing and procurement of contractual services for rubber development and replanting. Most of the time, NARSCO get these jobs operated through its members on contract basis.

NARSCO also invests in 3 subsidiary companies. NARSCO Properties (Pte) Limited, NARSCO Management and Travel (Pte) Limited and Narspro (Pte) Limited. NARSCO Properties is involved in the management of assets and transportation; NARSCO Management and Travel in tourism and insurance, while Narspro is involved in latex glove manufacturing. These subsidiaries may eventually be the high income earners of the NARSCO.

KESEDAR Cooperative : The South Kelantan Development Authority (KESEDAR)

is also another statutory body created in 1978 to develop land in south Kelantan with settlement schemes benefitting about 5,000 settler families. KESEDAR also involves in regional planning and infrastructure development so as to promote economic development in the area.

KESEDAR promotes the establishment of 10 primary cooperatives benefitting 2,149 members with a paid up capital of 0.28 million Ringgit. A secondary cooperative at the state level (Central KESEDAR Cooperative) with the 10 primary cooperatives as members is formed to enhance the coordination of all the KESEDAR cooperatives and effectively channel business activities between them.

State Land Schemes : Various states in Peninsula Malaysia organise land schemes of their own under the jurisdiction of the District Office. These land schemes are either semi-assisted or unassisted land schemes in Group Settlement Areas (GSA). The participants organise themselves into groups to develop state lands with the anticipation of later being given "title" to the land. In some case, after many years, the 'title' has not yet been awarded to them, as per the term of land schemes on state land. Most of these farmers are either living insitu or in villages fringing the settlement areas.

There are also 11 state land scheme cooperatives and 33 cooperatives formed in private land schemes on stateland. Being created in land schemes, these cooperatives are termed as agricultural cooperatives, although its activities are little known.

Agricultural Cooperatives in Sabah and Sarawak

The State of Sabah has 92 agricultural cooperatives with 7,250 members and shares worth 2.4 million Ringgit. The State of Sarawak has 78 agricultural cooperatives with 3,215 members paying a total of 0.2 million Ringgit in shares.

Business Activities in Agricultural Cooperatives

The terminology 'business' is usually associated with the activities of private or public companies or business by one or more individuals (sole proprietorship or partnership) with the prime motive of gaining profit. Cooperatives are guided by the cooperative principles of: fair returns on capital, distribution of trading surplus in the form of increased services for members, increased share on capital or according to patronage, and the repayment of capital according to investment. Fundamentally, these cooperative principles are contradictory to the principles of private enterprise. More over, the manner in which authority in cooperatives is structured, whereby the member, not the capital, is the supreme power in a democratic and voluntary organisation such as the cooperative, there is little room for cooperation to be used as an instrument for participation in private enterprise or cooperation ala private enterprise. An investor with large capital is not motivated to invest in a cooperative, especially when he knows that his large sums of money may not ensure him a seat in the Board of the cooperative. His presence is merely performing a community

function, by providing leadership or advice to the rest of the community on good management or entrepreneurial skills.

In agricultural cooperatives, what is expected of a business activity, would perhaps be any enterprise introduced, organised and promoted for the sole purpose of common good, with returns derived directly or indirectly, benefitting all members of the cooperative.

A member with 10 Ringgit shares may not get as much direct benefit by way of dividends when compared to a member with 100 Ringgit shares. But he is assured of patronage rebates from his participation in the cooperative's trading activities, regardless of the value of his shares. He may also be given priority over a non-member if there are gainful employment in his cooperative. His produce may be given better treatment over another who is not a member of the cooperative. Among all other members he is treated equal in all aspects. And above all, he has the right to vote the people of his choice into the Board of Directors, the managers of his cooperative.

In the cooperative terminology, 'profit' is synonymous to 'surplus'. Although profit and loss statements and the balance sheets are useful in the determination of the financial health of the cooperative, the income and expenditure statement is a more meaningful tool for the members. This being simple and truly reflection of the cash position of the cooperative at any one given point of time. In agricultural cooperatives, the members being mostly peasants and rural folks, their level of financial understanding is low, it is always easier to present the accounts as an income and expenditure statement rather than a 'Profit and Loss' statement. Perhaps, profit is not the primary motivation for rural cooperatives.

In Malaysia it is difficult to draw a clear line between corporate business and cooperative business. A corporate business is essentially capital intensive, risk prone and deals exclusively with the general public. Cooperative business is not capital intensive, low risk (even to the extent to receiving low return) and deals mainly amongst members or with other cooperatives for business.

Agricultural cooperatives, may also participate in business primarily to mutually serve members' needs such as cooperative land clearing and crop development, cooperative marketing of agricultural produce, or cooperative procurement of agricultural input such as planting materials, weedicides, pesticides, fertilisers, tools and implements so as to benefit from the economies of scale. At first the benefits may be passed on directly to the members in the form of cheaper costs of development, cheaper inputs and better prices for their produce. Over time, the cooperative would indulge in making up prices to increase its retained earnings. More retained earnings may result in higher accumulation of profits for the cooperative. The next step would perhaps be participation in business activities beyond the agricultural scenario, such as trading in more lucrative non-agricultural products such as electrical goods and groceries or into an even higher plan; small scale

industries and landed properties. Cooperatives may even begin to trade with non-members, or proceed to borrow funds from banks and financial institutions to benefit from gearing, rather than waiting for members funds to eventually grow. Finally, small cooperatives may amalgamate into larger cooperatives, or seek umbrella organisations/cooperatives to venture into the complex and risk prone corporate jungle. Eventually subsidiary companies may be evolved.

Problems Faced by Agricultural Cooperative in Business

In the Malaysian context, the above scenario is prevalent in the various agricultural cooperatives. Business in the agricultural sector do not confine themselves to only the corporate companies, but also cooperative bodies.

To quote Idris Ismail in "Present Situation, Problems and Future Tasks of Agricultural Cooperatives in Malaysia": "One of the stated objective of agro-based cooperatives in Malaysia is the promotion of the social and economic interest of their members. In order to achieve this desired objective, agricultural cooperatives carry out various activities, such as :

- i. Production and selling of agricultural inputs, e.g. fertiliser, chemical, seeds, etc.,
- ii. To provide agricultural machinery service such as tractors, combine harvesters and transportation,
- iii. To provide credit facilities to members by forming revolving fund, or acting as agent to Agricultural Bank,
- iv. Conducting farmers saving scheme, investment and insurance,
- v. Marketing of agricultural products,
- vi. To undertake various industries related to agriculture such as processing of cocoa, coffee, paddy and tobacco, and
- vii. To promote agricultural projects such as collective farming, mini-estate and nursery of oil palm, rubber and paddy."

Agricultural cooperatives like other institutions are also laced with problems. Among them are: 1) Lack of member loyalty; 2) Lack of member capital; 3) Agriculture perceived as poverty sector; 4) Slow gestation for agriculture and require good infrastructure; 5) Competition from rural capitalists; 6) Lack of member education; 7) Lack of good managers; 8) Poor incentives for voluntary Board of Directors; and 9) Leadership.

Government Patronage : The proliferation of the number of cooperatives and an extremely good record of their success in LPP and Land Development Schemes prove beyond doubt that rural/agricultural cooperatives yearn for government patronage, without which survival is questionable.

In LPP, the SKATA and more recently the Farmers Cooperative either dwindle in

numbers or withdraw into their cocoons, except in areas where such Farmers Cooperatives join the FDC or LPP sponsored Farmers Development Area nucleus (GERAKTANI). Although such cooperatives do not lose their identity as cooperatives, but paternal support from FOA gives the cooperatives much needed guidance and direction.

Similarly in FELDA the cooperatives look upon FELDA for assurance to provide them with contracts for the transport of palm oil fruits and rubber latex and the provision of credit to purchase transportation vehicles. The dividends from the secondary cooperative, FIC, which invests in multi-million Ringgit ventures are good assurances for their continued survival.

In FELCRA and RISDA the presence of FELCRA and RISDA officials in the cooperatives as Advisors, helps to alienate whatever fears or prejudices members have towards their own members' leadership. Secondary cooperatives such as NARSCO and KPFB provide the assurance that contract jobs can easily be farmed out to them if necessary to maintain their continued survival.

However, patronage is a temporary arrangement. Upon reaching self-sufficiency, FELCRA and RISDA or FELDA would ultimately withdraw and allow these cooperatives to rely on their own mettle.

Member Apathy : Low literacy and lack of member education, either before formation or ongoing, results in the lack of awareness on the part of members to directly participate in their cooperatives, except for a handful of over-zealous members of the Board of Directors. Besides, prejudices about the cooperative movement and also the impressions that agriculture being a poverty sector, has no business to be in business. It is true that agriculture has high gestation period. A high level of management skill is required to turn agricultural business concerns into profitable undertakings. Unless member education is stepped up, agricultural cooperatives will continue to have apathetic members who may not even be interested to attend the annual general meeting, what more to increase member capital through increased shares, or to give total loyalty to the cooperative over a sustained period of time. Rural cooperatives bemoan this lack of member participation and lack of member loyalty as the pain in the neck of the movement.

Competition from Rural Capitalists : The main business of agricultural cooperatives is done among members. If members do not provide total support and loyalty to the cooperative, a slight edge or incentive in the form of temporary price adjustments in favour of the consumer, may result in the exodus of members towards the competing businessman, who may or may not be a member of the cooperative. Money is power. Cooperatives that are not able to use this instrument to their advantage may ultimately lose out.

Management Skills : Agriculture is a business requiring skills. An inexperienced official, although over-zealous may not be able to read in between lines, the tricks

of the trade of others who have earlier tasted the proverbial salt. In small cooperatives, such people are found among the members themselves who usually are requested to hold positions in the Board of Directors. However, monetary incentives may not be good enough to retain them. One cannot permanently rely on voluntary help without perks or incentives. However, larger cooperatives can afford to employ full-time employees who are trained or experienced in such business.

Leadership : Like all cooperatives poor leadership may be the harbinger of troubles ahead. Leaders are not born. They are made by the dozens through the mill of experience. *Good leaders train new blood to succeed them. Without continuity, the train stops.*

Agriculture is a Poor Man's Occupation : Agriculture is burdened with high risks, long gestation period and poor profit margin. High capital cost in the initial stages, such as large infrastructure development cost or the deployment of heavy machineries, may deter the uninitiated. Having started, there is no looking back, because weeds, the vagaries of weather, and pests, do not wait for the cooperator to stop and pray. He must go on and continue to make decisions, sometimes committing big money as he continues to waddle along. Thus, the clever cooperator diversifies into low risk and high return ventures as well. Trading and small medium industry hopes to alleviate such financial disasters.

Operational Problems : In implementing agricultural works and services, the agricultural cooperative may be faced with various problems usually met by others in the same industry.

Among the problems are a requirement for a large capital outlay to avoid delays in payments if the cooperative is undertaking contractual work, or a long waiting period for the crops to come into production, if the cooperative is undertaking its own land development work. Whatever is the situation, a large capital is required for insurance payments, security deposits, deposits to suppliers of implements and chemicals to be used in the works, payment to workers before receiving progress payments for job completion, money on call in cases of accidents and calamities, etc.

Another problem faced by their industry people is the labour shortage. A cooperative undertaking agricultural development works may not engage all their members in doing the works as they may be gainfully employed elsewhere. In Malaysia today, enlisting workers to do menial task is a problem because of the shortage of labour in the country. And engaging foreign workers is costly. Labour pinching is rampant, and as such the coop may join the rest in counter offering workers with higher wages and amenities. This may thus increase the cost of development and consequently it may not be as lucrative to develop agricultural holdings as before.

If a cooperative undertakes contractual works for others, it has to meet the specifications set by the assignor. In most cases the specifications may be rigid and problems of interpretation arises when progressive payments or final payments

become due. As an example, the specification may stipulate that final payments of the contract cannot be released until final survey is completed. The agreement was signed using estimated acreage, workers are paid by piece rate based on such acreage. However, when final survey is completed, the area usually shrinks in size and instead of receiving a surplus on final payment, he receives a net deficit. This usually results in disputes or time consuming haggling waggings.

A cooperative may not itself be able to do whatever the agricultural jobs, and needs to subcontract or enlist the cooperation or for the services of others. For example, in the usage of heavy machinery and skilled workers. This results in high costs or if not done properly, below specification and inferior quality works. Payments may not be to the extent as expected.

All in all, like other industries, agriculture is a skilled activity requiring people with experience to manage them. Members of the board of directors of cooperatives may have the enthusiasm to carry out the works, but may not have the experience and expertise to undertake many of the works themselves without enlisting outside help. Wrong or delayed decision-making may result in huge loses to the cooperative, and many have suffered in this respect. 35% of agro-based cooperative (SKATA), for example suffered losses to the tune of 5.4 million Ringgit until the end of 1990, due to such entrepreneurial adventures. Although the rest makes a profit of 7.6 million Ringgit, the above case is enough to show the need for good and experienced management of agricultural cooperatives in the country.

Conclusion

Agricultural cooperatives in Malaysia, like agricultural cooperatives in other developing countries are beset with problems. What is important is the challenge to overcome them however insurmountable may be.

The crucial test emerges when the government takes away the mattress from under the tight rope walker. Shall he continue towards his goal or fall into the point of no return.

Pakistan

Pakistan emerged on the world's globe as an independent sovereign state on the 14th August 1947 as a result of division of the former India. The total area of the country is 796,095 sq. km. with a population of 117.32 million.

The economy of Pakistan is basically agrarian in character and provides employment to nearly 60% out of its 70% population which still lives in rural areas. The agriculture is the largest sector of the Pakistan economy which only contributes 27% towards the Gross Domestic Product (GDP) and 80% of the total export earning of the country together with agro-based products. However, the performance of this sector remained much below than its potential owing to numerous socio-economic and technical problems. The Government is striving its hard for the development of the agricultural sector on scientific lines and adopting various policy measures to increase its contribution in the national income. One of the such measures, is the involvement of cooperatives in fostering the development of agriculture.

The concept of cooperation was in operation in old days in the form of seeking help from each other in achieving the goals. Cooperation even now is demonstrated in the villages at the time of sowing and harvesting of crops and is extended purely on social basis without receiving any remuneration.

Cooperatives in Indo-Pak were introduced towards the close of 19th century as local level institutions to save the farmers from the local money-lender, who used to snatch a substantial portion of their agricultural income from the farmers. These local money-lenders had provided credit to needy farmers and arranged the exchange and marketing of the commodities produced by the villagers. However, with the passage of time, the money-lenders started exploiting the peasants by charging exorbitant rate of interest snatching lands, agricultural produce and their animals, which created demoralisation and frustration among rural population. The situation further worsened owing to natural calamities which deteriorated the living conditions of the rural poor/farmers and led to grave situation in the subcontinent.

The worse situation in the rural areas, attracted the attention of the Government, which took a number of remedial measures to provide relief to the farming community but the effect was partial and short lived. These measures included provision of famine reliefs, development of land, irrigation systems, setting up of railways and construction of roads. All these steps could not provide the relief to the farmers from the jaws of money-lenders. Subsequently, it was decided to establish village cooperatives on Raiffeisen Principles, thus a few cooperatives started working which, in the absence of an independent cooperative law, were registered under the

Companies Act 1882. Later on, to meet the requirements of the system, Cooperative Credit Societies Act was promulgated in 1904. Therefore, the cooperative movement in the sub-continent was introduced as Government's measures to tackle the problem of rural indebtedness and to eradicate the poverty prevailing in the rural areas.

To follow-up the implementation of its policy, the Government created an official agency in the form of "Cooperative Department" which was required to plant the idea among the general masses and prepare through motivation and persuasion, the ground for the organisation of cooperative societies, manage and supervise their activities and audit their accounts. Most of the functions were provided under the laws while others were given cover through administrative directives. The official machinery charged with the responsibility of steering the movement worked with missionary zeal assuming the role of Friend, Philosopher and Guide. The pace of the development of the movement in the early years, though slow, was quite sound and it did meet a degree of success in achieving the envisaged objectives.

The 1904 Act provided for the organisation of only credit societies whose main object was to extend to small farmers, cheap credit on easy terms for agricultural purposes and most of the societies were credit oriented. As a result of operations of a few years, certain short-comings were experienced in this Act and the same was therefore replaced by the Cooperative Societies Act 1912. This enactment provided for the organisation of all types of societies with different business activities on the one hand at the secondary and tertiary level and on the other, to facilitate the working of the federating units. This resulted in the establishment of Central Cooperative Banks at District and Tahsil levels. These banks under dedicated cooperative leadership and management did a commendable job in resource mobilisation within their areas of operation and succeeded in building up considerable reserves and assets.

During the period immediately following independence i.e. after 1947, there was large scale disruption of economic life, due to the migration of non-muslim industrialist, traders and bankers, and thus the Government had to call upon the Cooperative Movement to fill the gap created by the departure of commercial community. As a result, central cooperative banks started commercial loaning to individuals and many new cooperatives were organised to deal in food grains and distribute essential commodities and manage abandoned industrial concerns such as rice mills and cotton ginning factories. But while the cooperative movement played a useful role during the crisis, it lost its direction and became a hand maiden of a new profit seeking class of farmers-cum-traders who often got spurious cooperatives registered and did private business under cooperative label. The Central Cooperative Banks established to facilitate the working of primary cooperative societies converted into ordinary commercial bankers, financing the very merchants against whom the system was designed to protect the small man. In the process Central Cooperative Banks suffered serious set back. A large chunk of their funds otherwise meant for the primary rural cooperatives was advanced to individuals in trade and industry by

inefficient staff and unscrupulous management. The merchant class and self-seeking members took away the resources to their own advantage to the detriment of genuine needs of the farmers. The real worth of their assets, built in over half a century depleted fast and a number of them became defunct adversely affecting the operations of primary cooperatives particularly in the province of Punjab.

The remaining years were dominated by the promulgation at intervals of a number of new legislations like that extending the jurisdiction of the Cooperative Societies Act 1925 to whole of present Pakistan (1965), the West Pakistan Cooperative Societies and Cooperative Banks (repayment of loans) Ordinance 1966, and Reforms Order of 1972. Except the Reform Order 1972, all others provided for more powers to the Cooperative Department for recovery of loans. The legal framework in totality has been source of reinforcing the stronghold of the cooperative bureaucracy jeopardising the basic rights of the otherwise democratic and autonomous cooperative institutions. This resulted in retarding the operational stage of the cooperative movement and the business development in the cooperative agricultural sector could not yield the desired results.

Despite operating for over 80 years, the performance of the cooperative movement leaves much to be desired. It has not been able to build up a well patterned structure, nor the capacity to plan and organise the human and financial resources. Despite all the inadequacies in the cooperative movement in the country, there are no cogent reasons for denying the fact that the cooperative system has the potential to play an effective role in the growth of rural economy when the need for business development of agricultural sector in all of its diversification has become more pressing due to green revolution, expansion of farming activities and gradual emphasis on agri-allied and agro-based industries. Since the agriculture is the backbone of our economy, agricultural cooperatives need to be developed as business enterprises rather than welfare organisation. At present 59,119 cooperative societies with 33,66,127 members are integrated part of the Cooperative Movement of Pakistan.

The quantitative success of the movement in Pakistan is generally judged from the growth of cooperative institutions without taking into account the qualitative development and their business performance. The progress regarding the growth of cooperative institution, enrolment of membership, increase in equity and working capital is briefly stated below:

Particulars	1947-48	1990-91
Cooperatives	15,242	59,119
Membership (000)	576	3,366
Share capital (000)	20,531	481,151
Working capital (000)	275,817	17,269,615

From the above data the following are easily inferred about the expansion of cooperative movement spreading over a period of 45 years since independence :

- i. Number of cooperative societies has increased four times,
- ii. Membership has registered an increase of about six times,
- iii. Share capital has increased by 23 times, and
- iv. Working capital has increased by 62 times.

It is observed that more than 18 types of cooperative societies are in operation. The agricultural credit and multipurpose cooperative societies are more common and constitute about two-third of the total societies and one half of the total membership. Most of these societies at primary level are credit-oriented and provide only credit to its farmer members for agricultural inputs like, seed, fertilisers and pesticides out of financing from cooperative credit system whose main function is only to provide short-term credit without their own business development. Cooperative societies which do not obtain credit from the cooperative system are usually dormant. However, cooperatives in Pakistan could not be developed as self-sustained business units for the growth and development of agricultural economy due to social, educational and economical factors.

Despite all the short-comings the role of the system in the development of rural economy need not be over-emphasised as the cooperation in the sub-continent took birth owing to the problems of farmers indebtedness and it was primarily aimed to tackle this problem. The cursory view of rural and agricultural scene should, therefore, be looked at to understand the dire need of cooperation in agricultural development and potential and problem in the business development in agricultural cooperatives.

The geographical area of Pakistan is 796.095 square kilometres or 79.61 million hectares. The substantial portion of 40.3% or 32.08 million hectares of culturable land lies in the basin of river Indus and its many tributaries which water the Punjab and Sind plains. The mountain area of NWFP and desert area of Baluchistan, Sind and Punjab are dry and arid and can support only a pastoral way of life. The area under cultivation is 21.07 million hectares which is 26.46% of the total area and 65.67% of the culturable area. The area not available for cultivation is 24.06 million hectares and cultivable waste include 9.39 million hectares. The area under forest is 3.38 million hectares, which is only one-third of the forest area required for healthy economy. For an under-developed country with a population of 117.32 million people, three-fourth of which depends on agriculture, the man land ratio is unfavourable considering that there are limited avenues of employment outside the profession of agriculture. The land ownership pattern and the antiquated tenurial system prevalent in the various provinces aggravate the pressure on culturable land.

Agricultural sector contribute 27% of the total GDP. In export bill, the share of agriculture is 80% including agro-based products.

The total population is 117.32 million with a growth rate of 3.2%. The density of population is 142 persons per sq.km. Approximately 70% of the population lives in the rural areas in about 49,000 villages. The rural labour force is 24.70 million out of total labour force of 33.82 million.

The agriculture is main occupation of the most people in rural areas and absorbs 51.15% of total labour force. The agriculture labour is generally poor, backward, illiterate and socially tradition bound. The development of human resources is a *sin quo non* of economic progress and prosperity. The important factor in the productivity of labour is literacy which is estimated 34% but only 17.2% in rural areas. The output of the labour force employed in agriculture is insufficient, inadequate and does not provide ample room for meeting the basic necessities of life.

Pakistan land ownership pattern is feudalistic and incompatible with the requirements of a progressive and productive agricultural economy. According to agricultural census of 1980, the total number of farms is 4.39 million having an area of 48.19 million acres out of which 42% are held by owner cultivator, 34% by tenants and 24% by owner-cum-tenants. The number of small farms i.e. under 5 acres is 1.63 million or 38% of the total farms but they command only 8% (3.76 million acres) of the total farm area. Farms of size from 5 to 25 acres are 54% of the total having an area of 52% (25.05 million acres) of the total farm area. The number of large farms of 25 acres and above in size are only 8% (0.38 million acres) of the total farms but the area under these farms is 40% (19.38 million acres) of the total farm area. The average size of the farm is 11 acres.

The pattern of land ownership has not undergone any radical change since independence and is constant since 1947 inspite of the land reforms of 1959 and 1972. The total number of beneficiaries of the two land reforms was 50,548 and area allotted to them was 0.93 million acres out of approximately 2.5 million acres resumed. The rest was either sold, leased or retained by the Government as it was unallotable. The ceiling on individual holding which in 1959 was 500 acres irrigated and 1,000 acres unirrigated was lowered in 1972 to 150 acres and 300 acres respectively. Apart from the difference, the overall impact of both the reforms was minimal and they brought no radical change in the land ownership pattern.

The irrigated area is 71% of the total cultivated area i.e. 14.32 million hectares and rain fed area is 29% or 5.83 million hectares. Of the total area under irrigation the area irrigated by canal is 10.41 million hectares or 51.66%, by tube wells 2.8 million hectares or 14.34% and 1.02 million hectares or 5% by other means. Intensive irrigation has brought in its wake the twin menace of water-logging and salinity which poses a serious threat to agriculture and is one of the major obstacles in raising production. The total affected area is 9.30 million hectares out of which 5.52 million have been protected upto 1982.

Of the total area of 21.07 million hectares under cultivation 55% or 11.93 million hectares is under food grains, 16% or 3.6 million hectares under cash crops, 2.03

million hectares or 9% under pulses and oil seeds, 0.46 million hectares or 2% under fruits. The remaining area is under vegetables and other crops. The main food grain crops are wheat, rice, jawar, maize, bajra and barley and cash crops are sugar cane, cotton and tobacco.

This synopsis of rural agricultural scene in the country reveals that a strong and sound economic base exists for business development in agricultural cooperatives for the main reason that the energies and resources of rural masses have not been harnessed in a proper organisational framework. Individually, the small farmers and artisans cannot do much. Collectively, they can play a decisive role in changing the face of rural economy. They have only to be convinced of the effectiveness of group action and guided to use to the best advantage their collective resources of finance, labour and technical know-how. Obviously the cooperative movement offers the best possibility of mobilising these resources. Farmers cooperative can be organised for credit supply of agricultural inputs, storage and marketing of agricultural produce. They can jointly establish their own processing industries for rice husking, cotton ginning, oil expelling, sugar manufacturing, dehydration of vegetables and fruit canning. They can undertake dairy farming, poultry farming, bee keeping, sericulture and other allied activities in addition to agriculture proper. Cooperatives can also be utilised for handicraft and cottage industries to enable the farmers and their women folk to employ themselves during the slack seasons. There is also a big scope for development of cooperative schemes for tube wells and small dams for irrigation. The cooperative techniques can also be used to provide social services in the villages provided the income of the farmers and artisan increases. They can provide social services in their village by establishing schools, dispensaries, adult literacy centre. There is thus no limit to what the rural population can do for itself through agricultural cooperatives. All that is needed is realistic planning for developing these cooperatives as sound business enterprises.

For the development of their business, agriculture cooperatives will have to attend to strengthening their management, expanding the base of their membership and their education in cooperative and economic techniques, planning of their business activities, generation of local resources, planning of borrowings, proper assessment of input requirements of members, ensuring their timely availability, supervising the utilisation of credit and inputs supplies, taking timely steps for recovery of loans particularly through procurement/marketing of members' produce and ensuring the accurate and upto date maintenance of record and books. Most important of these points, are discussed below :

1. Membership Expansion and Education

In Pakistan average number of members in agriculture cooperatives is around 35 which is very small. Obviously with such a small membership, no cooperative could be expected to develop its business volume. Since clientele of the societies mainly consists of members, there is thus need to substantially enhance the membership

in the agriculture cooperatives which should not ordinarily pose a problem when majority of the farmers in our villages are out of the cooperative fold. This needs a proper strategy to approach such farmers to bring them within the ambit of the local cooperatives. For the purpose, proper publicity campaign is required to be undertaken to explain the cooperative ideology, universality of the principles of cooperation, and the potential of the cooperative system to serve the farmers in their day-to-day agricultural operations. They also need to be properly educated and improve their understanding of cooperative principles and developing in them the beliefs so that they can accept the democratic responsibilities as cooperators.

An effective cooperative education can help in arousing a sense of feeling among the farmers that once they join the cooperative society, it will not be an organisation separate from them, rather a business enterprise which would belong to them and would depend upon them for its efficiency and prosperity to serve their economic needs. There is, thus, need to instil in them the knowledge and ability which would turn them into real cooperators with a will to associate in the joint enterprise to serve their collective interests. They should voluntarily accept the membership and subsequently collective responsibilities in the society. Thus the development of the business of cooperative society, ultimately hinges upon the degree of knowledge of the fundamental cooperative principles among the prospective members the level of their motivation and conviction in joining the cooperative. The efforts, therefore, need to be directed at expanding the fold of each cooperative to the maximum number of farmers which would automatically enhance the clientele.

2. Management

The success of a cooperative hinges upon the prudent capabilities of the management. Management of a cooperative is required to have the adequate knowledge of business principles as well cooperative techniques. For the purpose, they need proper education and training to keep the business of a cooperative on the right track. The business of a cooperative distinct from all other types of organisations, needs special consideration since main objective of a cooperative enterprise is to render services at the minimum cost to its clientele which more or less is restricted to membership only. It is, therefore, imperative that the managements of cooperatives are specially developed and educated to effectively plan and handle the business of cooperatives. They should be intensively educated and trained in cooperative principles, salient provisions of cooperative laws and bye-laws, engaging suitable staff, planning of business, capital growth, internal as well as external resources, procurement of inputs, credit management and marketing of member's produce. And without the competent management the agricultural cooperatives cannot be expected to develop their business.

3. Generation of Resources

Like any other business enterprise, an agricultural cooperative needs capital to finance its business activities. This fact, however, conspicuously lacks in agricultural

cooperatives in Pakistan. Most of the cooperatives and the regulatory cooperative officials give under stress on outside borrowings. Virtually, there is no realistic planning for mobilising external and internal resources needed in agricultural cooperatives. As a matter of prudent planning, each cooperative before starting its operations should very carefully assess the level of capital, it would need, sources of availability, accessibility and cost involved. Capital requirements of an agricultural cooperative more or less are of operating nature. It does not need heavy capital for fixed assets. To meet the spirit of self-help and mutual aid, an agricultural cooperative should mostly concentrate on the mobilisation of local resources which are generally available conveniently and at the lesser cost. The cannon of cheaper the capital, higher the operational surpluses should always remain in the mind of the management.

The own capital has the following advantages :

- i. It lays down a sound foundation for financial structure of a cooperative;
- ii. It indicates the confidence which the members have in their organisation;
- iii. It gives a sense of ownership to the members;
- iv. It generates interest among the members in society's affairs;
- v. It stimulates the sense of participation among the members;
- vi. It inculcates a habit of thrift;
- vii. It reflects a sound position of a cooperative;
- viii. It facilitates the obtaining of outside borrowings;
- ix. It adds to the borrowing capacity of a cooperative;
- x. It ensures higher operational surpluses;
- xi. It serves as a shock absorber against an incidental loss; and
- x. It ensures independence and autonomy in planning and conducting business activities of a cooperative.

The own capital can be strengthened through increasing the number of members, increasing the value of shares and minimum level of share contribution, linking the loaning limits with share contribution, building-up the reserves out of operational surpluses, offering special incentives on different types of members deposits.

4. Credit

Credit, particularly by the small farmers is needed for liquidity requirements during the period starting right from the sowing of a crop till its final disposal. Small farmers generally have little hard cash to purchase seasonal inputs and often need external resources for meeting their liquidity requirements. Each agricultural cooperative in Pakistan, thus has a substantial business potential in handling the credit operations. This activity can provide a reasonable return during the short period.

For meeting the credit requirements of its members, a cooperative should carefully plan the availability of its resources keeping in view the cost at which they would be available. Presently, the institutional credit in the country is state-controlled as far as is concerned the financing limits and releasing of funds by the central bank, cost of funds, securities, period of utilisation and repayment schedule, etc. Each cooperative has, therefore, to operate its credit activities within the overall framework provided by the government, particularly when funds are to be availed out of the allocation made in this behalf. The loans provided under the different government policies are comparatively cheaper but it cannot be a permanent feature. During the last 4-5 years, it has been experienced that the government is gradually withdrawing its support, being provided in the form of subsidy to the farmers for different purposes. Time may come when agriculture credit may be made available at the market rate. In such situation an agriculture cooperative will have to plan its capital structure in such a way that the funds for its credit operations are available from the different sources at comparatively lower cost so that a fair margin is available through credit operations. As a matter of prudent practice, it is generally recommended that only such operations earn better surplus which base their operations on the funds generated internally and at the local level.

5. Procurement/Supply of Inputs

The main objective of an agricultural cooperative is to facilitate the operations of its farming members by timely arranging their required inputs. In Pakistan, the main items of inputs supply are seeds and fertilisers. Use of pesticides is also gaining momentum particularly for the cash crops, i.e. cotton, rice and sugar cane, which are more sensitive to diseases and pest attacks. Each cooperative, therefore, should collect from all of its members the estimates of the inputs needed by the farmers during the ensuing crop season. Having fairly finalised the estimated input requirements, the cooperative should immediately contact the agencies dealing in bulk supply of inputs both in cooperative sector and outside. This would ensure timely availability of the quality inputs at a comparative cost and their prompt disposal among the members and sale to non-member of the surplus stocks, if any. The effective supply of quality inputs at comparative cost would definitely enhance the business of the cooperative, leading to higher surpluses.

6. Marketing

The percentage of small farmers in Pakistan is very high, i.e. 68. They have small quantities of surplus produce for disposal. In view of the defective marketing system, they are exploited by different market forces. They get the minimum return out of the sale proceeds. Their produce is subjected to heavy transportation charges, discounting in weighing on the pretext of sub-quality, disposal of produce at comparatively lower price, handling charges and heavy commission. Almost all the small farmers feel suppressed under the hands of the market functionaries and they need immediate relief. They would, therefore, like soft handling through suitable

arrangements at the local level. The objective could best be achieved through extending the facility by the village cooperatives.

As stated earlier, most of the agriculture cooperatives are alive only on outside borrowings for onward lending purposes. There is thus a lot of scope in the development of their business also through undertaking procurement and marketing of the members' produce which would serve as reasonable source of income for these societies apart from solving the acute marketing problem of the farmers.

From the fore-going it may be concluded that there is strong case for the development of business in agricultural cooperatives in Pakistan or elsewhere with similar prevailing conditions. For the purpose, agricultural cooperatives will have to expand their membership base, upgrade their management capabilities and diversify their operations in a way that they cover whole spectrum on and off the farm operations.

Philippines

Cooperatives as instruments of equity, social justice and economic development have been organised in the Philippines since 1952 with the Farmers Cooperative Marketing Association (FACOMA) as the forerunner of agricultural cooperatives in the country. The cooperative movement adheres to the belief that a strong, dynamic and responsive movement must be built on solid foundation with universally accepted cooperative principles as its anchor for survival. "It is a unified and collaborative environment with an enlightened participation in the development and progress of the mass-based and people-oriented economic enterprises where cooperatives can truly develop and succeed".

The President of the Philippines, Fidel V. Ramos, enunciated that economic recovery can be attained by a two-pronged approach which involves the cooperatives as one of the structures to be tapped and to play a vital role in credit technology, skill training, marketing assistance and when possible even export assistance. He also emphasised the need to help modernise agriculture. With these presidential pronouncements, agricultural cooperatives are given recognition to be in the limelight because with their very nature, they can be made effective tools for economic recovery and ultimately further economic advancement.

1952 : The Philippine agricultural cooperative movement can be traced back to the creation of the Agricultural Credit Cooperative Financing Administration (ACCFA) and the Farmers Cooperative Marketing Association (FACOMA) in 1952, to mobilise small farmers for cooperative action and participation in the development process. These two cooperatives engaged in handling agricultural and allied products like copra, poultry and livestock, sugar, fruits and vegetables, fish, coffee, fibre, onion and garlic. US technical assistance was provided along with substantial commodity assistance in the form of construction materials and equipment for these cooperatives. During this period from 1952-56 the FACOMAS had successful business, however, this was short-lived so that by 1957, after President Ramon Magsaysay's death, anomalies began to surface regarding the business deals of these cooperatives. Heavy rice importation, even with FACOMA warehouses fully-stocked, lowered the price of rice, thereby causing the closure of almost 300 FACOMAS.

1956 : In June 1956 the first Asian Agricultural Cooperative Conference was held in Baguio City for the establishment of an institution to provide training, education and extension and to conduct scientific research in areas related to agricultural credit cooperative development.

1960 : In 1960 attempts were made by the government to inject additional funds to assist the credit and marketing operations of the FACOMAS as well as substantial marketing and facility loans and technical assistance provided by the USAID but were not successful in reviewing the cooperative marketing associations. Only 263 of the 652 FACOMAS with 89,000 members were considered active with 109 submitting regular reports on their business transactions.

Factors attributed to the failure of the FACOMAS included: inadequate membership support and education, weak/corrupt management, poor loan supervision, political interference, absence of cooperative structure at the village level, insufficient capitalization, inability to achieve economics of scale of business operations.

1968 : In 1968 was seen the peak of agricultural cooperatives. In addition to the FACOMAS, other types of agricultural cooperatives were active as on July 1968. There were five irrigation societies, 369 rice and corn cooperatives, and 123 tobacco cooperatives organised as a result of indigenous practice as well as government supported efforts.

1969 : The Federation of Free Farmers Cooperative Inc. (FFFCI) was organised in 1969 as the economic arm of the national farmers union, the Federation of Free Farmers (FFF). FFFCI being closely tied to agrarian reform, expanded its programme during the early 1970s.

1971 : In 1971 the Philippine government, in its comprehensive effort, reexamined the principles of agricultural cooperatives organisation and redirected cooperative development strategies in the country as a result of the evaluation of the poor performance of the FACOMAS through a special development project supported by USAID. After two years of careful planning, testing and evaluation, the Philippine government launched a new and unique cooperative programme distinctly different from past programmes on agricultural cooperatives.

1975 : Presidential Decree (PD) 175 was promulgated in 1973 and was specifically designed to make improvement upon the inherent weaknesses of the previous pattern of the FACOMA structure. PD 175, known as Decree Strengthening the Cooperative Movement, stressed on localised representation a facet absent in the FACOMA organisational structure. Farmers were organised, at the village level, into associations known as Samahang Nayons (SNs), as pre-cooperatives with 25 or more members to serve as channels for delivering basic support services to farmers; to serve as conduits for extension and agricultural credit distribution for production of inputs and assembly points for marketable products; as educational medium for leadership and membership development in rural communities; to federate to form the municipal level Kilusang Bayan (KB), the fullfledged cooperative with 250 or more members or ten SNs, and finally to Area Marketing Cooperatives (AMCs) in the provincial level which played the role primarily on business activities relating to servicing the supply and marketing needs of the members SNs, and in providing extension technology through the SN to farmer-members.

This new scheme separated production credit from the functions of the marketing cooperative and administered through an independent system of management, unlike the FACOMA model. The Cooperative Rural Banks (CRBs) were established as depository of the SNs Barrio Savings Fund (BSF), and the Barrio Guarantee Fund (BGF) as warranty for payment for the land amortisation under the Agrarian Reform Programme. The SN-CRB structure became the model for agricultural cooperative development in the country. The farmers wholly capitalised the SNs and AMCs with proceeds raised from forced savings, while CRBs were provided by the government a matching capital on a preferential investment basis to that raised by the farmers thus making a significant change in policy from its predecessor, the FACOMA, wherein the government provided all of the investment capital.

In 1975 there were 17,193 SNs with a membership of 640,000 farmers, 10 AMCs, two CRBs were registered with the Bureau of Cooperatives Development (BCOD) with a paid-up capital of Pesos 1.2 million for AMCs and Pesos 7 million for CRBs. This was also the time when the growth within the SN-AMC-CRB structure began to slow down for lack of trained management and financial resources, especially in the area of marketing activities and because of their dependence on outside funding to finance their business operations.

1977 : In 1977 a total of 20,675 SNs with 955,000 members affiliated to regional and national federations registered with a total savings of Pesos 84.2 million or US\$ 12 million. In spite of the success, but geographically limited efforts of the special USAID assisted project of the Samahang Nayong supported project, the movement was in deep trouble due to lack of economic activity, immobilised assets frozen in savings accounts of private rural banks. By the end of 1977, 29 AMCs were operating with a paid-up capitalization of Pesos 41 million with only four CRBs registered by the BCOD and licensed by the Central Bank.

1979 : In 1979 the Cooperative Rural Bankers Association was organised and registered with the BCOD as a non-stock corporation known as CRBF of the Philippines (BANGKOOP).

1986 : The Bureau of Cooperative Development listed 17,155 SNs with combined savings of Pesos 98.4 million; 7,200 of which were active in January 1986. By March 1986, 84 AMCs representing 3,047 SNs and 38 other cooperatives were operational; and in June 1986, 29 CRBs with a membership of 4,946 SNs, and 171 other types of cooperatives serving 240,000 small farmers were operational.

1987 : The 1987 constitutional convention enshrined the cooperatives and their development in the organic law of the land.

1990 : These cooperative laws were enacted on 10th May 1990, three years after the convention, namely, the twin laws on cooperatives: Republic Act (RA) 6938 and RA 6939. Under RA 6939 all cooperatives registered under the previous cooperative law, PD 175, will have to confirm their registration with the Cooperative Development Authority (CDA), the sole registering authority for cooperative organisations.

With the enactment of the local government code, cooperatives are further enhanced which provides that local government units develop and promote cooperatives in the countryside. Among which are :

- (a) Section 144 provides that existing powers of all local government units shall not extend to the levy on taxes, fees, or charges on countryside and barangay enterprises and cooperatives duly registered under RA 6938;
- (b) Section 193 provides that tax exemptions or incentives granted to and presently enjoyed by other entities are withdrawn except those enjoyed by local water districts, cooperatives duly registered with RA 6938 and non-stock or non-profit hospitals and educational institutions;
- (c) Section 391 provides that the Sangguniang Barangay shall assist in the establishment, organisation and promotion of cooperative enterprises that will improve the economic condition and well-being of residents;
- (d) Section 447 provides that cooperatives shall be given preference in the grant of franchises to do business with the city and municipality, establish, construct, operate and maintain ferries, markets or slaughter-houses or undertake such similar activities within the local government concerned as may be allowed by existing laws; and
- (e) Section 454 allows the city mayor/provincial governors to appoint cooperative officers.

The CDA and Department of Finance signed a memorandum of agreement for exemptions from customs duties on the importation of machineries, equipment, and spare-parts for the use of cooperatives. Another memorandum of agreement was signed between the Bureau of Internal Revenue and CDA on the guidelines for tax exemptions for the cooperatives.

Sri Lanka

Introduction

Sri Lanka is an island situated in the south-east of India in the Indian Ocean, with an area of about 65,000 sq.km of which 31.6% (1980) is under agriculture. Based on the geographical features and climatic conditions, the variety of crops cultivated differs. 23.64% (1987) of national products are agricultural. Tea, rubber, and coconut are cultivated on large scale. Our staple diet being rice, 781,000 hectares are under paddy cultivation. Subsidiary crops such as vegetables, fruits, sugar cane and tobacco too are cultivated. Sri Lanka has been famous for its spices from ancient times.

The two main seasons of agriculture in Sri Lanka "Yala" and "Maha" depends on the two major periods of heavy rainfall. The climatological divisions of the island too are based on the rainfall. The west zone of the island comprising of 30% of land area receive more than 1,905 mm of rainfall. The balance 70% receive less rain and is called the dry zone. Agricultural activities too are based on the patterns of rainfall.

Agriculture in Sri Lanka could be divided into (i) The Plantation Sector which is the organised large scale agricultural production of tea, rubber and coconut. These are export crops. There is vast implementation of modern technology applied in this sector. (ii) Traditional agriculture crops including paddy, subsidiary food crops, spices and dairy farming. These units are not large scale estates but small holdings managed by farmers themselves.

Agriculture as the single largest productive sector in the Sri Lanka economy accounts for 27% GDP. It employs 46% of the labour force, earns 58% of all exports, including traditional processed agricultural exports. Sri Lanka has recently diversified its exports base; in 1971 agricultural exports formed 91% of exports receipts which declined to 58% in 1982, reflecting the emphasis on export promotion.

The decreasing of agricultural lands with the increasing of population is a special characteristic in the agricultural sector in Sri Lanka. The per capita land size in 1949 was 1.35 ha and that was decreased to 0.95 in 1973. This can be specially noticed in paddy production sector. In 1982, out of total paddy farmers 73% had less than 4 acres and out of the total paddy cultivating land 44% were less than 4 acres. This is very common in other field crop sector. In 1982 out of total other field crop cultivating farmers 70% were holding less than 4 acres.

The same year, 60% of the coconut land holders belonged to the less than 10 acre category. This is common in tea and rubber sector too. According to the above information, the majority of the farmers are small farmers. Therefore, contribution of the small farmers to the national economy is considerably high.

Origin of the Agricultural Cooperative Societies

The cooperative movement in Sri Lanka has played a major role in the agriculture of this country from its very beginning in 1906. The main objective of the establishment of credit cooperative societies in 1911, was to fulfil the agricultural credit needs of the rural small farmers under low interest rates. In 1930, there were 418 credit societies operating and Rs.992,000 was provided as agricultural loans. These societies gained official recognition with the enactment of the cooperative law in 1911.

Through centuries the essence of cooperation existed in the daily lives of the Sinhala people. It was during the World War II that people began to act in the cooperative way by organising consumer cooperatives.

The first agricultural cooperative society set up in Sri Lanka was the Malayan Tobacco Producers Cooperative Society in Jaffna which started functioning in 1934. By 1943 there were 23 such societies organised as agricultural production and sales societies to lend a helping hand to the farmers. These societies assisted to obtain credit facilities, and supplies of seed and fertiliser on time, provided marketing facilities and most of all protected the poor farmer from exploiting by the private trader.

Cooperative Agricultural Producers and Sales Societies

The importance of these Cooperative Agricultural Producers and Sales Societies (CAPS) was shown when the Government, after the 2nd World War initiated the "Food Production Drive" by channelling assistance to the needy cultivator through these societies. These cooperatives could be divided into credit, stores and agricultural societies depending on the nature of their activities.

Agricultural cooperatives were actively started after the World War II. In the war period Government established the Store Societies and based on the progress of these societies, the Government's attention was turned to the establishment of agricultural cooperative societies.

These societies were very popular during that period and the period between 1947-1957 was called the agricultural cooperative societies era.

Development of CAPS

Year	No.of Societies	Membership	Credit Given (Rs.'000)	Turnover (Rs.'000)
1948	47	13,525	---	5,522.4
1953	709	169,074	6,059	19,694
1957	955	246,776	11,084	140,496

With expansion of CAPS societies a credit system for the farmers was introduced by the government and the Guaranteed Price Scheme was also introduced and the societies became the agents for marketing and guaranteed price scheme. Under this situation the CAPS societies had a tremendous responsibility on agriculture sector, specially in paddy production sector.

Through the amalgamation of these 3 types of societies the multipurpose cooperative societies were set up in 1957. In 1968 under the Janawasa Commission the Cooperative Youth Settlement Scheme was introduced to attract the educated youth into agriculture. In 1971 the cooperative village settlements were established. By 1976 there were 60 such cooperative farms. In 1972 under the Land Reform Act, these "Janawasa" (Cooperative Village Settlements) were entrusted to manage the lands vested under the Land Reform Commission. Under the new management these lands were well developed.

In 1971 a major reorganisation in the cooperative movement based on the suggestions of the Royal Commission of 1968 gave birth to larger more viable primary multipurpose cooperative societies. These large primaries were responsible for the consumer and agricultural activities of their area. They assisted in agricultural development through supply of credit, fertilisers, agro-chemicals, marketing and encouraged saving habits. The multipurpose cooperative societies are the only agents of the Paddy Marketing Board for the purpose of purchasing paddy and implementing the Guarantee Price Scheme. One salient feature of this reorganisation was the establishment of the Cooperative Rural Bank Scheme through MPCS to help the coordination of rural economy. Rural indebtedness was a strong factor affecting the rural population when the poor farmers were exploited by money-lenders. Therefore, this banking scheme gained popularity very rapidly.

Though expected results could not be achieved fully due to various reasons, the main achievement is the assistance these rural banks have rendered to uplift the rural masses from a heavy burden of indebtedness and giving them the incentive for improved agricultural production and development.

Different Types of Agricultural Cooperative Societies Multipurpose Cooperative Societies

MPCSs are the main agricultural cooperatives in the country. Prior to the formation of MPCSSs, in 1957 the CAPS played a dominant role in agricultural activities particularly in paddy production. The CAPS societies were successful in granting of loans, supply of inputs and acted as agents in implementing the Guaranteed Price Scheme. Some of the CAPS societies like Udapalatha were doing extremely well in vegetable production and marketing.

The changes brought about in 1957, with the formation of MPCSSs, by amalgamating CAPS societies and Stores societies envisaged a better performance in agricultural activities as well as consumer activities. Unfortunately many of the MPCSSs did not live to their expectations and most of them became single purpose consumer cooperatives. The reorganisation in 1971 paved way for the creation of large primary MPCSSs with a branch network and expected to serve the members more effectively both in agricultural and consumer needs.

Activities of MPCS : The MPCSSs in major paddy producing areas perform as agricultural cooperatives by way of providing credit, supply of inputs and marketing the produce, mainly as agents of the Paddy Marketing Board.

Agricultural Credit : The MPCSSs were involved in disbursement of production credit from their inception. All the Agricultural Credit Scheme that were initiated by the Government were implemented through the MPCSSs. The granting of credit particularly for paddy production had been successfully implemented by the MPCSSs upto 1977. With the decision taken by the Government in 1977-78 Maha Season to issue loans to all the farmers in the country, irrespective of their qualifications resulted high default rate, consequently the Central Bank had to withdraw the 75% guarantee extended to the commercial banks. Since then, the MPCSS's role in agricultural lending declined drastically and a few societies are now extending credit facilities under refinance schemes. The banks have introduced a direct lending scheme to farmers and the cooperative will not be qualified to get fresh loans unless 60% of the previous loan is paid back. However, the institutional credit provided for paddy cultivation is not more than 10% of the total credit requirements in the country.

Supply of Inputs : Fertiliser and agro-chemicals are two main types of inputs supplied by the cooperative societies. All the MPCSSs in paddy producing areas have been appointed as sales agents of the Ceylon Fertiliser Corporation. These societies get monthly credit upto an amount of Rs.50,000, several programmes were launched to increase the storage capacity of the MPCSSs by providing grants and soft loans to construct fertiliser sales and the market share of the cooperatives in distribution of fertiliser for paddy cultivation is about 40%.

The MPCSSs also sell agro-chemicals as agents of the CEPETCO and the private manufacturing companies.

Marketing : The MPCSSs enjoyed the monopoly in paddy purchase upto 1977, as agents of the Paddy Marketing Board. The entire procurement of the Paddy Marketing Board were made through the cooperatives, with the appointment of private traders as agents, the MPCSSs had to face stiff competitions in paddy purchases. As a result, the important place held by the cooperatives in paddy purchases was lost and the cooperative share dropped to 10%. As the open market price was above the guaranteed price many of the MPCSSs had to stop paddy purchasing. In some of the areas it is the private sector that collects the entire surplus.

Paddy Marketing : The MPCSSs in major paddy producing areas operate paddy mills. There are 42 medium scale mills operated by the MPCSSs. The paddy purchased from the farmers are milled and rice is sold to those MPCSSs in strong areas. They also mill paddy obtained from the Paddy Marketing Board on quota systems. Paddy milling is a successful business activity by which almost all the societies make substantial additional profits. Because of milling, the societies are able to pay a higher price to the farmers. Some of the societies pay a portion of the additional profits they earn by sale of by-products.

Vegetable Producers' Cooperatives

Vegetable Producers' Cooperatives are functioning mainly in Nuwara Eliya district (hill country of Sri Lanka). There are 11 such societies operating independently. The objective of these societies is to provide inputs such as fertiliser and agro-chemicals at a reasonable price to their membership. Cultivation is done by the farmers individually and sell the produce to wholesale traders in Colombo or to traders who come to buy vegetables. The societies at present are not engaged in marketing activities.

Tea Producers' Cooperative Societies

The Morawak Korala Tea Producers' Cooperative Society, the first society of this kind, was started in 1952. After many ups and downs the society was reconstructed in 1977 paving the way for a new era for the small scale cooperative tea producers. The assets of the society exceeds Rs.40,000,000 and the society consists of a tea production unit (consisting of 3 factories), consumer unit, transport unit and credit and services unit. There are 1,296 members and 405 employees. The production of tea in 1988 was 6,885,085 kgs. This society is considered the leading establishment for this type of cooperative society. There are more tea producers societies scattered in the hilly country of Sri Lanka which are limited to the tea growing areas of the country.

Coconut Producers' Cooperative Societies

As far back as 1940 the coconut dealers were exploiting the small medium class coconut growers by advancing money at very high interest levels and purchasing their coconuts at very low prices. Very often the sale proceeds were set off against the loans. Invariably the coconut growers were at the mercy of the coconut dealers.

The performance of the coconut trade is determined by both local and international factors. Locally besides the normal inelasticity of supply the feature common to most agricultural products, vagaries of weather and climate have a marked effect on the supply position. Internationally, apart from changes in overseas demand the total world supply position not only of the same product but also of other related competing products has a direct bearing on price levels.

When the coconut growers were facing such hardships they have united themselves and formed Coconut Producers Cooperative Societies. These were formed in different areas with the common intention of overcoming the said problem of marketing their produce at a fair and reasonable price. The first four cooperative societies were started in 1940. They were organised in Wennappuwa (Kammalpattu), Marawila, Sandalankawa, and Dunagaha with the collaboration of the then Ceylon Coconut Board. Thereafter another 39 coconut cooperatives have been formed in different districts of the coconut triangle to look into the interests of the coconut growers.

It was possible to get grants for all the newly formed societies to put up their own white copra kilns. At the beginning all the cooperatives were involved in the production of white copra and the entire production was exported.

Upto 1950 most of the coconut cooperatives were running satisfactorily enjoying the benefits of the quota system. Most of the coconut product exports were done on quota system and a much higher quota has been allocated to cooperative sector. This was one of the main reasons for the success of the cooperatives.

In 1950 the then Government has abolished the quota system and liberalised the export of coconut products and no permission has been required to put up D.C mills. As a result more and more D.C factories had come into existence and the cooperatives had to face stiff competition with the private sector. As a result of the increase in production of D.C the prices gradually took a downward trend which was a severe blow to the cooperatives. The private millers organised themselves and made their way well ahead of the cooperatives.

In 1956 nine cooperative D.C factories went out of production. Out of 13 coconut cooperatives only five cooperatives are in existence today. These cooperatives are engaged in the production of desiccated coconut, coconut oil and copra. In all the cooperatives, they mainly concentrate on desiccated coconut production and the entire production is exported through the local shippers.

These five cooperatives are well established in five different areas and they are doing well in business. In Sri Lanka there are 62 desiccated coconut factories, out of these only about 48 are in production at present, out of which five are cooperatives.

Dairy Cooperative Societies

According to the latest statistics available milk producers' cooperative societies are showing a marked development. The number of societies as well as the membership has increased. Apart from collecting of milk, these societies provide veterinary services, animal feed at reasonable prices and training facilities. The milk collected during 1988 was 343 million litres.

Dairy producers' cooperatives in Sri Lanka are primarily village level organisations which assist the small producers in marketing their produce at a highest possible price. Apart from collecting transporting and selling milk, many societies provide various services related to dairying.

Milk producers cooperatives are well-spread throughout the country. Today there are 284 milk producers cooperative with a membership of more than 50,000. Producers collect more than 36 million litres a year. This amounts to 52% of the total milk supplies to the industrial units engaged in processing of milk products.

The absence of strong secondary and apex level organisation has affected the development of milk cooperative sector. Today there is no organisation to represent nearly 50,000 producers who are contributing substantially to the national economy.

The recognition given to the milk producers' cooperative is insignificant and they are not consulted in major policy issues such as fixing of milk price, etc. The milk cooperatives are the producer-based organisation with participatory management, but they do not have involvement beyond their area of operation, particularly in milk marketing and processing.

Lack of technical know-how among the employees of the milk cooperatives is another factor which contributes to stagnation of activities of the societies.

Development of Membership and Milk Collecting Centres

Year	No.of Members	Milk Collecting Centres
1982	50	25
1983	84	36
1984	100	60
1985	2,014	96
1986	3,663	104
1987	4,660	108
1988	5,415	117
1989	-	134

The various agricultural societies have united and formed the following Apex Unions.

Cooperative Marketing Federation (MARKFED)

Sri Lanka Cooperative Marketing Federation was formed as the marketing apex organisation of the cooperatives by amalgamating All Ceylon Consumers Cooperative Union, North District Agricultural Producers' Cooperative Union and All Ceylon Agricultural Producers' and Sales Cooperative Union. Membership of MARKFED includes all agricultural societies and MPCSSs - there are 263 member organisations.

MARKFED was successful in vegetable marketing and export of agricultural produce other than betel, during its early years. It developed linkages with MPCSSs and most of the produce were supplied by the member societies. MARKFED entered into betel export subsequently and the betel was collected through cooperatives. MARKFED also plans to supply fertilisers, agro-chemicals and seeds, etc. Share capital is Rs.653,755 and the annual turnover is over 250 million.

The activities of the MARKFED was confined to betel export and maintaining a few retail outlets in Colombo. It ceased to function as the marketing apex. However, with the changes in the administration and new plan for reorganise its envisage with the MARKFED will be uplifted to be the Apex Agricultural Cooperative Institute.

Coconut Producers' Cooperative Societies Union

Coconut Producers' Cooperative Societies Union Limited was established in 1942 under registered No.1086 to coordinate the activities of the coconut cooperatives. The main objectives of the society is upliftment of the economic conditions of its member societies and for that purpose to undertake :

- i. Distribution of high quality manure, equipment and providing necessary business guidelines to develop member societies;
- ii. Providing loans, grant and advance to the members;
- iii. Obtaining advice of experts specialised in coconut products - processing and manufacturing;
- iv. Introducing financial management patterns;
- v. To develop inter-cooperative relationship, local and international;
- vi. To provide necessary assistance to the cooperative workers in service, training, education and attending seminars; and
- vii. Coordinating and organising member societies meetings to discuss their problems and to exchange appropriate knowledge relating to the coconut industry.

Functions of the Union

1. Education and Community Services

Educating the members on the use of modern methods of cultivation, use of latest machinery. The Union educates the workers according to the demands of the member societies the cooperative policy, planning and structure by way of: i) Seminars; ii) Discussions; iii) In-service training programme; and iv) Personal approach.

2. Internal Agricultural Work

The Application of modern technology in the agro-industries sector with special attention to the coconut plantation by getting down demonstrators from reputed agro-industrial firms, e.g. demonstration of the use of a tractor, using the weeding machines.

3. Agricultural and Cooperative Extension Service

The introduction of the cooperative movement and its services to the non-members of the coconut producing areas. The value of starting a primary cooperative and joining the Union for future development. The following categories will be explained:

- i. Coordinating the agricultural and cooperative movement;
- ii. Exchange of technical knowledge and experience; and
- iii. Educating the member societies according to the standards of the own foreign buyers.

4. Coconut Lands Management Service

Coconut lands of the society members and non-members, special attention has been paid to coconut cultivators and animal husbandry. Advice sought from the Coconut Research Board, Coconut Cultivation Board and Coconut Development Authority. The following advisory services are provided to the land owners :

- i. Planting of seedlings;
- ii. Application of fertilisers;
- iii. Irrigation and soil conservation;
- iv. Inter-cropping (pepper, coffee, chillies, vegetable and fruits, etc.);
- v. Animal husbandry, poultry, cattle;
- vi. Harvesting, storage, transportation; and
- vii. Marketing of yield through the Union to the member societies.

5. Marketing Study - Survey Work

The main objective of the Union is to give a maximum price and a fair deal to the member societies. A day-to-day study of the price of coconuts and coconut products study, the price of the particular field study, the price of the main auctions of Colombo, publication of newsletters through the CDA, keeping in touch with the brokers. Study forecast data given by the CRB and the CDA.

6. Agro-Food Production Work

The main agricultural product of our Union members is coconuts. With coconuts as their raw materials, societies process and manufacture the following products: i) desiccated coconut; ii. copra; iii) coconut oil (consumers oil/industrial oil); iv) laundry soap; and v) coconut fibre and fibre-based products.

7. Exporting and Brokering of Coconut Products

Presently the Coconut Union is acting as a broker and sell the excess production of the member societies after exports at best possible prices to the local shippers. In 1985 the Coconut Union started directly exporting the products of its members.

8. Finance

Source of income to the Union is as follows: i) sales of shares (unlimited) - one share is Rs.100; ii) membership deposits; iii) loans from banks and institutions; iv) profits to the society; and v) gift grants and subsidies to the society.

Business Performance of the Union

Year	Purchases (SLR)	Sales (SLR)	Net Profit (SLR)
1986-87	5,160,910	7,181,250	764,942
1987-88	11,501,397	126,769,977	397,182
1988-89	12,463,591	14,122,272	512,153
1989-90	9,426,613	11,572,817	812,636
1990-91	9,693,135	11,441,406	173,262

Rubber Cooperative Societies Union Limited

More than 65% of the rubber production is produced by the small land holders. The average size of a land is approximately 0.8 ha. The small holders production was

of inferior quality and therefore they always fetched a low price. To avoid this and to produce higher quality sheet rubber the rubber cooperative societies were started in 1983.

The activities of the Union is confined to a limited population and limited area. There are 52 Rubber Producers Cooperative Societies Union operating in Ratnapura, Kegalle and Kalutara districts (main cultivation areas). Providing of fertiliser, credit, preparation of sheet rubber and marketing are the services provided by these societies to the members.

The Rubber Producers Cooperative Societies Union is the apex organisation started in 1964 for these societies and is providing marketing facilities to the member societies. But, these societies contribute only 2.5% to the total sheet rubber production in Sri Lanka.

Lack of an effective information system, collective responsibility in the growing of rubber and management of the industry are draw backs. Programmes to improve the living standards of the small scale rubber holders has to be given prominence. Establishment of a Revolving Fund which will ease the financial constraints faced by this industry. District level committees have to be set up to mediate with the small holders and the apex unions.

National Cooperative Council of Sri Lanka

The National Cooperative Council (NCC) of Sri Lanka, the apex cooperative organisation in Sri Lanka, from time to time assists the development of agricultural cooperatives by conducting national and regional seminars on matters pertaining to agricultural cooperation. The Council conducted with the assistance of the Netherlands Government and the Royal Tropical Institute in Netherlands a "Small Farmer Research Project through Cooperatives", to develop the social and economic situation of the small farmers in the Monaragala district through cooperative action. The project duration being completed, steps have been taken to reawaken these activities on an on-going scale. Another field of activities with the NCC is paying emphasis on the dairy cooperative sector. Steps are being taken to form an apex for this sector. Several district level meetings and surveys have been conducted and the by-laws revived for amendments.

The NCC was recently subjected to an overall structural change for better and more effective coordination of national level cooperative activities. At present the Council is conducting with the collaboration of the Swedish Cooperative Centre (SCC) a pilot agricultural project in the Mahaweli area with the primary intention of developing agricultural cooperatives and small farmer activities in that area.

Problems Faced by the Agricultural Cooperative Societies

1. In the credit area, inadequate working capital of the cooperative societies to give

loans to members, untimely release of loans, lack of loan supervision and weak loan repayments, and competition from privately owned financial institutions, are some important problems.

2. Untimely receipt of fertiliser, agro-chemicals and lack of agricultural equipment, storage and marketing facilities too are draw backs.
3. Lack of adequate and suitable transport facilities pose a problem to the efficient marketing operations. Absence of production and market planning too has created deficiencies. Lack of a general market intelligence service within the movement is a drawback.
4. Shortcomings in planning and plan implementation, lack of coordination, inefficient and incompetent management too affect the development of agricultural cooperatives.

Some Suggestions for Business Development

1. Organising viable agricultural primaries at grass root level.
2. To build up a three-tier structure with secondary and apex organisations with the participation of the farmers cooperatives.
3. Lack of proper coordination and planning has hindered the development of this sector. A national level agricultural cooperative plan will help to overcome this difficulty.
4. A consolidated business educational plan for the agriculturists as well as the cooperative leaders is a necessary.
5. Building up of a strong and effective agricultural marketing network to compete with the private sector.
6. Assistance to set up a good agricultural extension services for this sector will be helpful.
7. To establish a coop trade office to develop international trade.
8. Marketing channel should be established to reach the grassroot levels from the national level suggested parameters:
 - (a) Newsletter;
 - (b) Mass communication programme;
 - (c) Marketing desk for consultation; and
 - (d) Establishment of documents and information centre.

Vietnam

Situation of Agricultural Coops in Vietnam and Ho Chi Minh City

Formerly agro-coops in Vietnam and Ho Chi Minh City were established impetuously and operated in a subsidised administrative system. All trade and production of coops were concentrated; products made were managed unanimously and distributed according to a planned project which had been calculated upon the uniform value of individuals' working day and as agreed in the entire coop.

To the State, everything has been done as planned from top down to bottom, products must be submitted upon quantities and fixed prices. To the members, they participated in coops without voluntary will basis. Land and labour tools were concentrated; production operations were organised as instructed from the top. Members had no right to share their opinions on the products and labour which they had contributed, although everything was agreed through the general meeting, it was merely formality. Commodities-market relations was almost abolished. Physical and spiritual motivation of the farmers was all eliminated which caused the ignorance of the farmers to the land and to coops; thus, leading to decrease on coops production and low efficiency. On the area of Ho Chi Minh City, there were 190 agro coops in 1988, and only 20 exist in 1991. Apparently, the model of agro coops of Vietnam is completely different with those in the regional countries.

To implement the renewal policy on economic management over agriculture, abolishing subsidised bureaucratic system and transforming into self-accounting business system, individual household is entrusted by the Government with the right for self-control in production and business and is considered as a self-controlled economic unit; farmers are entrusted with the right to use the land for quite a long period of time.

This is a big turning point towards the movement of agro coops. It is required for the coops to renew themselves on their organisations and operations; related bodies and different levels of governmental bodies, as well, should have concrete orientation and measures to restructure the organisations and operations of coops in the new system. On the other hand, with multi-component production and market economy, farmers' economic households at first bring into effect with their capital, labour, technic and production experiences. Farmer households choose and invest in the area which brings most efficiency and they also enter into the stage of stiff competition on market.

As required by market competition and commodity production, coop needs a lot of products with high quality and low production cost. Because of the need, farmers must improve production techniques, seeds, capital and market for agro-products. It cannot be done successfully when production is carried by individual households. Therefore, they voluntarily join together under various diversified forms.

Saigon Coop with the Development of Business Activities

Saigon Union of Trading Cooperatives is a socio-economic organisation of 160 cooperative units, 9 unions of trading cooperatives of districts and 6 cooperative units of the city level, with its business name as "Saigon Coop". Saigon Coop has two main functions: organisation of movement and direct trade. Along with the first function, Saigon Coop is responsible for inspection, guidance, and assistance in all aspects for trade coop units. Saigon coop presents the right of the whole system to the government for suggestion of policy guideline relating to the organisation and operations of coops. In carrying out the function of direct trade, Saigon Coop involves in import-export, trade, production, investment and services.

Previously, co-existing in the system of agro-coops, Trade Coop (Saigon Coop) has close relation with farmers. We received goods from various sources from other countries for supplying all kinds of material, raw material serving production such as fertiliser, insecticides, etc., providing agricultural services; collecting from farmers and processing all kinds of agro-products which will be submitted to the Government, partly supplied to coops' stores in the city for selling to consumers and partly for export.

Together with indexes as planned by the Government, our Trade Coop actively take part in buying-selling with farmers of all kinds of material, raw material, agro products beyond the plan with negotiable prices closing to market prices. We may say that Trade Coop is one of the units moving ahead to the implementation of market-oriented plan; content and nature of its activities in rural area has the same form of agro coops in the world.

Since the day of implementation of renewal policy of the Government in accordance with market economy, our Trade Coop is facing many difficulties. Commodity and credit sources supplied by the government are no longer available. Agro coop system is weakened and a number of coops collapse affecting the trust of farmers in coop. Farmers hesitate to join coops. In production, if there is a need for cooperation, they organise themselves for temporarily seasonal works.

Facing such situation, with its own capability and financial source, Saigon Coop concentrates in trading and through the system of Trade Coops supplying farmers with agricultural materials such as fertiliser, chemicals, insecticides, a certain services and consumer goods such as processed food, fabric, sundries, etc. for daily need of farmers. Meanwhile, we actively create import-export activities for marketing farmers' products such as rice, maize, groundnut, coffee, sesame, pepper, cashewnut,

vegetables and tropical fruits, etc. Agro products account for 80% of our total import-export value. Some results on import-export business in 1991 and the first 7 months of 1992 are shown on Annexe-1.

Together with this we have a plan to restructure the system of Trade Coops in the rural area following the model of those in the world with fundamental features as below:

- i. Coop is a voluntarily joint organisation of producers whose capital is shared by farmers in compliance with principle of democratic management, self-management and mutual benefit, diversified form and cooperative content;
- ii. Farmer household is a self-control economic unit, a cell in a coop structure. The more the economy of farmer households develop, the pre-conditions of advantageous economy of coops develop. On the contrary, coop is an important place to modify, assist the economy of individual households in utilising their capability in production and trade;
- iii. In production and management of trading activities, coop does not cover the whole thing, does not combine all activities of individual households as agro coops did previously. But coop concentrates in trading fields which require a strong unity in order to gain efficiency, mainly these are services for agriculture; supply of capital, material, processing technology; product marketing, application of advanced technology and science in production; and
- iv. The general meeting is the supreme organ. Coop members have the obligations to implement exactly coop's charter. Coop has the right to decide the trade-production direction, measures on management, expanding joint relations with other economic components. To the local government, Coop acts as other economic organisations, set up under law and responsible for the development of economy, culture, society in the locality.

However, we are in the situation of a country which has suffered much of the war and has just come out of the subsidised-bureaucratic system; now we are stepping our first paces in the transitional process to market economy. It is not simple to restructure the whole system of coops and business activities. Our farmers are still poor and lacking capital, advanced production tools; capacity of plants and livestock breeding is still low, and the level of commercialisation of products is not high. Saigon Coop handles a limited capital and market, we do not have sufficient credit source and are incapable to accumulate large quantity of agricultural materials in our hands, in addition, we have no strong product strategy to meet the demand of our farmers and assist them against the fluctuated and competitive market. We are also incapable to involve in investment, production and processing agro-products as such we cannot collect the entire products made by farmers, commercialise products, upgrade the value of export of agro-products accessing to a stable market. This is a critical issue on which we must concentrate to solve in order to help our agro coops in rural area.

Recommendations

From the above practices, to help promote commercial activities of Trade Coops in rural areas as well as to develop the movement of agro coops particularly in Ho Chi Minh City and in Vietnam in general, we expect to get assistance - as described below - extended by the movement of agro coops in the regional countries of ICA :

- i. To provide favourable conditions for us for importing materials, commodities to supply for the production of agro products with reasonable prices and smooth dealing;
- ii. To promote export of agro-products from Vietnam; help access in foreign markets, i.e. help Saigon Coop and other coops develop their production business in import-export activities in order to accumulate capital for restructuring and consolidating the movement;
- iii. To join Saigon Coop in joint venture projects for processing products of farmers to stabilise the quality and upgrade the value of export agro products to be stuck firmly to market and penetrate markets which require high quality and strict specifications;
- iv. To assist us in training our staff and coops' personnel on organising, structuring coop's movement, management, operation and development of trade activities of coops, commercialisation of agro products; and
- v. To send experts to Vietnam help consultancy, training, exchanging experiences, information, market, customers, etc. introducing models of advanced coops for our study.

These are our presentation at this seminar. Saigon Coop expects to receive your valuable comments and sincerely wish that there are cooperative opportunities between us so that we could restructure and develop the movement of agro coops in Ho Chi Minh City and in Vietnam.

**Result of Import and Export in 1991 and
the First Seven Months of 1992**

	Unit	1991	7 months of 1992
Total value:	US\$ mil.	13.5	10.1
- Total export value	-do-	5.7	4.2
- Total import value	-do-	7.8	5.9
Main Export Products:			
- Coffee R2	Ton	1,465	660
- Cashewnut	"	630	2,075
- Black pepper	"	539	278
- Rice	"	700	4,000
- Groundnut	"	150	600
- Dry sea products	"	-	190
Main Import Products:			
- Agro machineries and equipments	US\$	-	300,000
- Textile yarn	Ton	36	918
- Plastic	"	250	860
- Shortening	"	1,300	800
- Monosodium glutamate	"	134	240
- Milk powder	US\$	400,000	160,000

Summary of Evaluation

1. Do you think that the Seminar has achieved its objectives? Yes: 15 No: 0

2. Do you consider the topics discussed in the Seminar were informative and useful for up-grading your knowledge and skills? Yes: 15 No: 0

Specific Comments

1. Lecture on cooperative education was superb.
2. The seminar was very educational and worth experiencing.
3. Notes on the topics to be discussed in the class should be provided to the participants in advance.

3. Please indicate the topics you found to be very useful.

1. Banking and Insurance.
2. Member Education.
3. Marketing Business.

4. Please indicate any additional topics you would like to be included in future seminars?

1. Business Management.
2. Export Marketing.
3. General Information on Korean Cooperative Movement.

5. What specific topics/areas you would prefer to exclude in the subsequent seminars? (Please indicate specifically).

None

6. What is your opinion about the overall teaching techniques & training methods adopted for coverage of topics?

Very Good

Good

Satisfactory

Not Satisfactory

3

7

5

0

7. Could you give specific suggestion for improvement?
1. More time should be allocated for discussions between participants.
 2. More time should be allocated for discussions after each lecture.
 3. Need to use more audio-visual aids in the lectures.

8. Do you consider that the outside practical study visits were useful and relevant? Yes: 15 No: 0

Specific Comments

1. Very good and practical.
2. Field study visits should be for more days.
3. Actual visit gives clearer views, especially on the flow of operation.

9. How was the practical arrangements in relation to conduct of the study visits?

Very Good : 5	Good :9	Satisfactory : 1
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Specific Comments

1. Schedule was fulfilled religiously.

10. What is your opinion about the physical facilities provided by the Agricultural Cooperative College with regard to :

	Very Good	Good	Satisfactory	Not Satisfactory
a) Lodging	1	6	6	2
b) Boarding	2	4	7	2
c) Classroom	9	5	1	0

Specific Comments

Single room facility should be provided.

11. Give your opinion about the conduct of the seminar and training material.

Very Good : 7	Good : 5	Satisfactory : 3
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12. Do you have any other suggestion and remarks?

1. Future seminars should be for a period of 3 weeks.
2. There should be only two lectures in one day with group discussions.

Seminar Programme

5th Oct., Mon. Arrival of participants.

6th Oct., Tue.

1000-1030 Opening session
1030-1100 Coffee break
1100-1230 Presentation of country papers
1230-1400 Lunch break
1400-1500 Proceed to the NACF Head Office
1500-1700 Agricultural Cooperatives in Korea by Mr. Yong-Jin Kim.
1700-1800 Visit to the Agricultural Museum

7th Oct., Wed.

0900-1030 Presentation of country papers (contd.)
1030-1100 Coffee break
1100-1230 Presentation of country papers (contd.)
1230-1400 Lunch break
1400-1530 Tasks and Development Strategies of Agricultural Cooperatives in Korea by Dr. Sang-Ho Choi.
1530-1600 Coffee break
1600-1800 Supply of Farm Inputs and Consumer Goods by Agricultural Cooperatives by Dr. Byoung-Joon Suh.

8th Oct., Thu.

0900-1230 Agricultural Cooperative Marketing in Korea by Dr. Young-Kon Koh.
1230-1400 Lunch break
1400-1600 Strategies for Successful Development of Rural Finance in Korea by Mr. Geon-Ho Lee.

9th Oct., Fri.

0800-1000 Proceed to the Garak-Dong Agricultural & Marine Products Wholesale Market (GAMA) in Seoul.
1000-1130 Visit to the GAMA
1130-1300 Proceed to Yangje-Dong
1300-1400 Visit to the Cooperative Chainstore Department of NACF.
1400-1530 Proceed to the Pochun County

1530-1800 Visit to the Pochun Agricultural Cooperative.
1800-2000 * Proceed to the Chunchon City.

10th Oct., Sat.

0900-1030 Visit to the Kangwon Provincial Office of NACF.
1030-1400 Proceed to the Sorak Mountain Village.
1400-1800 Sight-seeing at the Sorak Mountain.

11th Oct., Sun.

0800-1400 Proceed to Seoul
1400-1700 City Tour
1700-1800 Proceed to the Agricultural Cooperative College.

12th Oct., Mon.

0900-1100 Banking and Credit Business by Mr. Chong-Hyun Baik.
1100-1130 Coffee break
1130-1230 Cooperative Education by Mr. Shil-Kwan Lee.
1230-1400 Lunch break
1400-1530 Cooperative Education (contd.)
1530-1600 Coffee break
1600-1800 Insurance Business of NACF by Mr. Kyoung-Soo Chang.

13th Oct., Tue.

0800-1030 Proceed to the Chunan City
1030-1200 Visit to the Jiksan Agricultural Cooperative
1200-1330 Lunch break
1330-1400 Proceed to Chunan County Office
1400-1530 Visit to Chunan County Office of NACF
1530-1800 Viewing Folk Museum

14th Oct., Wed.

0800-1000 Proceed to the Suwon City
1000-1100 Visit to the Samsung Electronic Company
1100-1230 Proceed to Seoul
1230-1430 Lunch break
1430-1600 Visit to the Seoul City Office of NACF
1600-1730 Proceed to the Agricultural Cooperative College

15th Oct., Thu.

0900-1200 Course summary and evaluation
1200-1230 Closing session

16th Oct., Fri. Departure of participants

Seminar Participants

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01. Mr. Peter Strong
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- Sri Lanka 12. Mr. George Perera
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13. Mr. D.S.W. Colombatantri
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15. Mr. Nguyen Ngoc Hoa
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The International Cooperative Alliance is one of the oldest non-governmental international organisations. It is a worldwide confederation of cooperative organisations of all types. Founded in London on 18th August 1895, the ICA has affiliates in 82 countries with 194 national and nine international level cooperative organisations as members serving over 662 million individual members at the primary level. The ICA is the only international organisation entirely and exclusively dedicated to the promotion of Cooperation in all parts of the world. The ICA holds Consultative Status of Category-I in the United Nations Economic and Social Council (UN/ECOSOC).

Besides the head office in Geneva, Switzerland, there are four regional offices viz. the Regional Office for Asia and the Pacific in New Delhi, India (established in 1960); the Regional Office for East, Central and Southern Africa at Moshi, Tanzania (established in 1968); the Regional Office for West Africa at Abidjan, Ivory Coast (established in 1979) and the Regional Office for Central America and the Caribbeans at San Jose, Costa Rica (established in 1989).

The ICA Regional Office for Asia and the Pacific (ICA ROAP) serves 66 national level organisations from 26 countries, representing nearly 440 million individual cooperators. These countries are : Afghanistan, Australia, Bangladesh, China, Fiji, India, Indonesia, Iran, Iraq, Israel, Japan, Jordan, Kazakhstan, Democratic Republic of Korea, Republic of Korea, Kuwait, Malaysia, Mongolia, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Turkey, Vietnam and Uzbekistan.

Main activities of the ROAP include coordination of cooperative development efforts within the region and promotion of exchanges and experiences; project identification, formulation and evaluation; promotion of establishment and development of national cooperative apex organisations; and organisation of seminars and conferences on specific subjects including support for programmes aiming at the involvement of women and youth in cooperative activities.

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