

# THE ROLE OF COOPERATIVES IN AGRICULTURAL DEVELOPMENT

INTERNATIONAL COOPERATIVE ALLIANCE



AFRO-ASIAN RURAL RECONSTRUCTION ORGANISATION



# 1969

REPORT

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## INTERNATIONAL COOPERATIVE ALLIANCE

THE INTERNATIONAL COOPERATIVE ALLIANCE is one of the oldest of existing international voluntary bodies. It is a world-wide confederation of cooperative organisations of all types. Founded by the International Co-operative Congress held in London in 1895, it has now (1970) 142 affiliates spread over 60 countries and serving over 255 million members at the primary level. It is the only international organisation entirely and exclusively dedicated to the promotion of Co-operation in all parts of the world.

Besides the Head Office which is in London, there are other offices of the ICA, Regional Office & Education Centre for South-East Asia located in New Delhi, India, and the Office for East and Central Africa at Moshi, Tanzania. The Regional Office in New Delhi was started in 1960 and the office in Moshi in 1968.

The main tasks of the Regional Office & Education Centre are to develop the general activities of the

Alliance in the Region, to act as a link between the ICA and its affiliated national movements, to represent the Alliance in its consultative relations with the regional establishment of the United Nations and other international organisations, to promote economic relations amongst member-movements, including trading across national boundaries, to help in the supply of technical assistance, to conduct educational activities for the movements in the Region and to bring out publications on the various aspects of cooperative development. A greater part of the activities of the Regional Office & Education Centre are supported by the Swedish Cooperative Movement and the Swedish International Development Authority. The Regional Office has so far conducted over 80 educational programmes of various types. These were attended by nearly 2,000 participants from the different countries of the South-East Asian Region.

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**INTERNATIONAL COOPERATIVE ALLIANCE**

Regional Office & Education Centre for South and East Asia

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## PART I INTRODUCTION

An Experts' Conference on the "Role of Cooperatives in Agricultural Development" was held jointly by the International Cooperative Alliance, Regional Office & Education Centre for South-East Asia, New Delhi, and the Afro-Asian Rural Reconstruction Organisation, New Delhi, in collaboration with the Government of His Majesty the King of Nepal at Hotel Soaltee in Kathmandu, from the 16th to the 21st November 1969.

Invitations were extended to eleven countries, the ILO and the FAO to participate in it. Due to unavoidable circumstances only nine countries and the ILO were able to send participants. The nine countries were Ceylon, India, Japan, Kenya, Korea, Malaysia, Nepal, Tanzania and Thailand.

Mr P.E. Weeraman, ICA Regional Director for South-East Asia, and Mr. M.R. Kaushal, Director (Rural Cooperatives) of the Afro-Asian Rural Reconstruction Organisation were co-directors of the Conference, assisted by Mr Shiro Futagami, Deputy Director, ICA Regional Office & Education Centre.

The Conference was inaugurated by the Hon'ble Mr Rudra Prasad Giri, Minister for Public Works, Transport, Communications, Water and Power, who was then Acting Minister for Land Reform, Food and Agriculture as well, of His Majesty's Government. The ceremonial inauguration was attended by over eighty persons including representatives of His Majesty's Government, Ambassadors, other accredited representatives of different countries and Observers from the US A.I.D. in Nepal, the Agricultural Development Bank of Nepal and certain other organisations. Mr. N.B. Shah, Registrar of Cooperative Societies of Nepal, welcomed the gathering and Messrs Weeraman and Kaushal made introductory remarks. These addresses are given in Appendices III and IV hereto.

The Conference was attended by 12 participants. A list of participants, observers and conference staff is given in Appendix I. A copy of the programme of the Conference is given in Appendix II.



The methodology followed was that each of the experts introduced his respective paper and gave such clarifications and additional information as were required by the participants. The issues arising from the papers were next framed and discussed exhaustively by the participants with a view to drawing specific conclusions. The conclusions on all the topics were then considered and adopted by the Conference in its final session on 21st November. The discussions and conclusions are given in Part II of this report. Background information on the countries of the participants, except Kenya, is given in Part III. A summary of the conclusions is given in Part IV.

The Conference held in all nine sessions. The participants also had the opportunity of visiting a panchayat, a primary multi-purpose cooperative society and a district cooperative union and were thus enabled, personally, to form an idea of cooperative activities in Nepal in the field of agriculture.

The participants expressed their high appreciation of the excellent arrangements made for the Conference and their stay by His Majesty's Government, the ICA and the AARRO.

The contribution made by the Government of Nepal, by sharing the cost of the facilities provided, is gratefully acknowledged.

The cooperation and assistance so diligently and willingly extended by Mr. N.B. Shah, Registrar of Cooperative Societies, and his able staff went a long way towards making the Conference a success.

## PART II

# DISCUSSIONS AND CONCLUSIONS

The subjects discussed are given in Appendix II. A summary of the discussions and conclusions on each of the topics is given below.

### 1. THE ROLE OF COOPERATIVES IN MODERNISING AGRICULTURE

#### *A. Obstacles*

Modernisation of agriculture involves optimum utilisation of the available resources through application of science and technology with a view to creating a surplus in agricultural commodities. In the developed countries the agricultural revolution itself acted as the prime cause of economic growth by providing the required savings and foreign exchange for capital formation in the secondary and tertiary sectors. In the developing countries of Asia, agricultural development was undertaken in real earnest only since they gained independence in the recent past. The question of increased agricultural production has assumed great urgency in these countries because of the population explosion and the increased demands for food generated by the rising income levels and living standards of the people.

The major obstacles to accelerating the pace of agricultural production in these countries are the following :

- (i) The traditional agrarian pattern wherein the ownership of land is divorced from production and there is exploitation of the actual producers. This pattern acts as a motivational as well as an economic impediment to increasing productivity.
- (ii) The instability of agricultural prices and the absence of an arrangement whereby farmers would be enabled to get remunerative prices for their produce. Such an arrangement can act as a powerful incentive to increased production. It was noted that some countries have a guaranteed price scheme for agricultural produce.

- (iii) The slowness in evolving technology suited to agro-climatic conditions and capable of increasing the input-output ratio of agricultural production.
- (iv) The inadequacy of provision for public investment in irrigation and land development.
- (v) The absence of an extension machinery having an adequate number of qualified technicians for carrying the results of research and the message of modernisation to the farmer.
- (vi) The inadequacy or lack of a marketing structure capable of giving the farmer the best price for his produce and obtaining his production requisites and consumer goods at reasonable rates.
- (vii) The retardation of the development of cooperative and other institutions through which the farmer could solve his problems of credit, supply and sale. It was recognised that governments in the region employ the cooperative movement as their agents for procurement but the lack of a genuine effort to make the movement truly autonomous was noted; also that it is only a truly autonomous movement that could supplement the work of national development undertaken by a government—a people's movement that functions as equal and willing partners of the state in the great tasks that lie ahead in the fields of economic and social development, giving government the voluntary support of the people at the grass roots level which can be reached best through cooperative societies.

### *B. Their Removal*

The programme for the removal of these obstacles should be an integrated one under which action is taken simultaneously in a coordinated manner to deal with all problems. Land reform measures should be aimed at transforming the impoverished and uninterested tillers into well-equipped and skilled cultivators. This will not materialise if land reform stops with redistribution of ownership and provision of security for tenants and does not include measures like consolidation of holdings, the provision of technical guidance and credit, the supply of inputs to the smaller cultivators and the provision of adequate outlays for projects relating to irrigation, drainage, land development etc., which have to be undertaken by the government as social investments. Similarly, improved technology, which makes spectacular increases in

yields possible, through the use of high yielding varieties of seed and the application of fertilizers in optimum doses, requires irrigated condition; and intensive exploitation of underground and surface water potential has to be among the major items of the programme of spreading the new varieties. The scope for multiple cropping has been expanded because of the short duration of many of the high-yielding varieties and the extension of the programme of sowing such varieties is related to the progress made in providing irrigation. All these programmes require the support of an adequate infra-structure. Thus the process of agricultural modernisation has to be based on what has come to be known as the package approach.

The strategy for intensive agricultural development has also to provide for measures meant to raise production in dry areas as well. Dry areas constitute the major portion of the cultivated area in some countries. Neglect of such areas in a country will aggravate the imbalance in economic growth between different regions and result in a situation of explosive polarisation fraught with dangerous social tensions and political consequences.

### *C. Recommendations*

In order to raise agricultural productivity, it is of crucial importance that farmers should be assured of a satisfactory return. This requires, *inter alia*, that a realistic price support policy in respect of agricultural commodities should be adopted by the authorities concerned. Such a policy should be framed with a view to giving incentives to the farmers whilst leaving no room for complacency.

Insofar as export crops are concerned, the Conference recommended that greater international cooperation especially between cooperatives would be the solution.

The Conference was of the view that since the ultimate success of agricultural programmes depends upon the willing adoption of improved practices by farmers, a programme of intensive and extensive education of farmers is of vital importance, and, in this context, the Conference stressed the importance of farm guidance by cooperatives, as is being done so extensively and successfully by the multipurpose cooperatives of Japan. Sufficient resources should be available for developing human capital through intensive training programmes in the field of modern agricultural technology. International technical assistance could be of considerable help in

meeting the shortage of trained personnel so far as the immediate future is concerned. The ultimate aim should, of course, be that each country should be self-sufficient in this regard.

The Conference considered the importance of crop insurance for the benefit of the farmers. It was of opinion that such a programme would definitely help in overcoming the prejudices of the farmers as regards the adoption of modern farming methods and techniques. Nevertheless, it was felt that the adoption of crop insurance for an entire state was necessary and that such coverage could not be achieved fast enough if crop insurance were left to the farmers for their voluntary participation. The Conference recommended that it would be better to adopt crop insurance in selected areas on a pilot basis to gain sufficient experience for its subsequent extension. Wherever needed, legislation might be enacted expeditiously.

## 2. THE ROLE OF COOPERATIVES IN LAND REFORM

Land reform was accepted as a measure of social justice and the Conference considered that it should be comprehensive and should include programmes for stepping up private and public investment to raise agricultural productivity. The Conference felt that as a result of the redistribution of land and the safeguarding of the rights of tenants which follows as a consequence thereof, production units would be reduced in size. It would, therefore, be necessary to bring these units under an institutional framework to enable them to benefit from the application of modern technology on a large scale. The cooperative form of organisation, with its emphasis on voluntary participation and mutual self-help, was recognised as the most suitable form of organisation for small agricultural producers. The Conference, therefore, emphasized that promotion of agricultural cooperatives dealing with credit supply, marketing and processing should constitute an integral part of a land reform programme.

The Conference also felt that the fragmentation of holdings was a serious handicap for the adoption of improved technology. It, therefore, recommended that a programme of consolidation of holdings should be given high priority and legislation in this regard should leave no room for relapse into fragmentation.

One of the main objectives of land reform is increase in production. But this cannot be realised without a certain investment in the improvement of agriculture. Land reform measures would

result in a reduction in the size of holdings. Small-holders cannot make these investments from their own resources. They can do this only through cooperatives. One way in which the problems arising from small holdings could be solved is by cooperative farming, so that the smallness of the holding would not matter as regards production. This calls for large scale investment. The cooperative is the medium by which small-holders can make a large investment collectively.

Again, cooperatives are the most appropriate means of organising peasantry, providing them with basic training and knowledge, encouraging local leadership and promoting unity and understanding among them. All this is vital for the success of land reform measures.

Land reform measures give rise to the need of small-scale industries which would give occupation to the peasant in his long waits between seasons of agricultural operations. Here again the only medium is the cooperative.

In this way it is the cooperative movement that could ensure the best returns of land reform measures.

### 3. FACTORS CONTRIBUTING TO INCREASE IN PRODUCTION

#### A. Credit

The first factor that contributes to increase in production was recognised as credit. It was noted that the general attitude of the financing agencies to the question of providing finance for agricultural production was one of hesitancy and indifference. This is due to certain inherent weaknesses and characteristics peculiar to agriculture *viz.*, (a) a large number of farmers have small holdings and run them on a subsistence basis, (b) there is a cycle of good, bad and indifferent years caused by natural calamities and other hazards, and lastly (c) the cultivators are not considered credit-worthy from the lender's point of view. The various financing agencies, therefore, keep out from lending to farmers. On account of this, the government has to come in, in a big way, to finance agricultural operations. This has happened even in advanced countries like the USA and as such it is not peculiar to the developing countries.

It is essential that cooperative societies mobilise local resources as well as ensure recoveries by supervising the utilisation of credit. The supreme importance of intensive programmes for the education

of members, potential members and office-holders, both voluntary and professional, and for the training of employees was stressed.

The Conference realised the major importance of agricultural credit for increased production. It noted that the best agency to provide credit is the cooperative as against the other agencies like the government, commercial banks, private traders, money-lenders, landlords and relatives. The Conference felt that it would be useful if the cooperatives could place before themselves a long-term plan for the supply of credit.

The Conference felt that the loans should be production-oriented and should be within the repaying capacity of the farmers. The economic profitability of the purpose of a loan should be the important criterion. The cooperatives should be able to meet the full credit needs of the farmers. There should be supervisors to ensure the proper utilisation of and recovery of the loans given to the farmers. In this connection the value of linking credit with marketing was reiterated.

The Conference was of opinion that a policy of making cheap and easy credit available would not be conducive to the success of agricultural cooperatives or the attainment of their immediate goals. A low rate of interest would make it difficult for the society to attract deposits. It would encourage borrowing for purposes other than agriculture, under false pretexts. It would also encourage the borrowers to postpone repayment; and to give priority to the repayment of other loans obtained from other sources and carrying higher rates of interest. Therefore, it is necessary that the rate of interest charged by the cooperatives should be realistic.

The Conference agreed that the smaller cultivators and tenants should be the major beneficiaries of cooperative credit. The system of giving loans on the basis of anticipated crops rather than on that of property was accepted as most desirable. The Conference also recognised the necessity for cooperatives to mobilise their internal resources on a large scale in order that reliance on external financial agencies may be progressively reduced and ultimately eliminated.

The Conference realised that for modernising agriculture there would be much demand for medium and long-term credit. The need would be greater in areas where land reform measures had already been completed. The Conference felt that financial institutions such as land mortgage banks should be developed and wherever they exist they should be strengthened for providing

such loans. The governments should provide financial and other support in adequate measure.

The Conference agreed that along with the expansion of credit facilities, a suitable programme of training and education for members and office-bearers should also be undertaken in order that there would be proper utilisation of the loans.

The Conference was of opinion that medium-term loans (not exceeding five years) may be made available to farmers who have the capacity for repayment.

### ***B. Agricultural Inputs***

The Conference agreed that with regard to inputs it would be necessary to (i) assess the needs of the individual farmers and the total requirement of the farmer members of the cooperative; (ii) have a policy with regard to the best methods of procurement and distribution of these inputs; (iii) make arrangements for their manufacture or acquisition; and (iv) provide adequate guidance to the farmers for the proper application of inputs.

The Conference recommended that in a national development plan, a policy of total involvement of the agricultural cooperative movement in regard to the factors indicated above should be ensured. It emphasized that cooperatives must be used fully for distributing the inputs if government undertakes the procurement of these commodities. The Conference also agreed that for effective participation by cooperatives in a programme of manufacturing or acquiring and distributing agricultural inputs, adequate finance and godown facilities should be made available to them.

## **4. MANAGEMENT PROBLEMS OF AGRICULTURAL COOPERATIVES**

### ***A. Problems***

Since cooperative organisation is expected to play a vital role in the field of agricultural development, it is essential that the cooperative movement is strong and efficient. The movement would be able to meet the needs of agricultural development in terms of production and improvement of farm income only if the cooperatives had sound and efficient management.

It was generally agreed that one of the main reasons for the failure of cooperatives was the lack of efficient management.

A variety of problems would exist in the field of management of cooperatives. Some of the more important ones are the following :



### *(i) Smallness of Cooperatives*

The desirability of an operationally efficient unit is highly recognised among experts. When determining the optimum size of a cooperative, due consideration should be given to certain factors *viz.*, (a) the human factors—the number of members, the number of officers, (b) the economic factors—investment, volume of business and facilities available, and (c) the geographical factors—the area of operations. It was generally felt that cooperatives should meet these requirements if they are to function as efficient economic units.

### *(ii) Lack of Capital*

The amount of capital invested in a cooperative and the source of capital are matters of great importance. No cooperative can have a stable existence until it has adequate capital, an adequate operating fund and reasonable reserves. In too many cases securing the required capital and resources from the members has proved very difficult.

Any increase of invested capital, per member farmer, will result in an improvement both in the sense of responsibility of the farmers and in the standards of business of the cooperative. These will stimulate members to make further investment in the cooperative. Moreover the larger the invested capital the more vigorous would be the programme. Under normal circumstances this will result in the accumulation of further capital through business surpluses.

Along with the increase in the per capita share of investment it was suggested that thrift and saving on the part of member farmers should be encouraged.

### *(iii) Lack of Managerial Ability*

The success of an agricultural cooperative depends, among other things, heavily on the managerial ability of those who are responsible for its operations.

The problem in many cases is that the managerial staff is severely lacking in managerial know-how. The managerial job is a very complex one and requires special qualities. If a cooperative is to prosper nay survive, in today's severely competitive economy, the manager of a cooperative has to possess such qualities as leadership, a sense of dedication, intelligence, analytical ability, ability to communicate and integrity.

#### *(iv) Organisation "From Above"*

In general, in most of the developing countries cooperative organisations are established "from above" by administrative measures of the government. The active role of the government in the development of agricultural cooperatives is considered inevitable because the farmers, generally, lack the willingness and the ability to develop cooperatives on their own. To overcome this apathy and to keep farmers well-informed of the activities of their cooperatives and the socio-economic conditions surrounding them, the cooperatives should arrange meetings, publicity, demonstrations, displays, exhibitions, fairs, audio-visual education programmes, seminars etc. It is a matter of constant education and re-education.

#### *(v) Conflict of Government and Cooperative Objectives*

Since cooperatives in developing countries are usually regarded as media of agricultural development, many government projects are implemented through them. Usually, therefore, a farm cooperative has to perform a dual purpose; it has to implement a government project whilst its foremost endeavour has to be the betterment of farmers. These two-fold functions sometimes conflict. Therefore, to avoid this, there must be proper adjustment through the coordination of the activities of the cooperative movement and the government, between whom there must be good rapport.

#### *(vi) Smallness of Members' Farms*

The relative smallness of the farms of the members prevents the agricultural cooperatives from developing into sound producers' organisations. Consequently because of insufficient business, the marketing and purchasing services are not carried out efficiently. Therefore too much should not be attempted at once. The functions of a cooperative should be confined to a few priorities. These priorities would be the supply of credit, the supply of daily necessities, the cultivation of special crops suited to the respective areas and the marketing of produce.

### *B. Recommendations*

(i) A major factor in the efficient and successful functioning of cooperative institutions is sound management. The Conference, therefore, emphasized that all efforts should be made to provide the cooperatives with trained and qualified managers. In this regard, the following steps were recommended :

- (a) The cooperatives should be strengthened to enable them to employ efficient managers to conduct their business activities. Subsidizing a cooperative in its early years to enable it to employ a trained manager would be a positive step in this direction.
- (b) A programme to educate the managing committee members should be followed. It was realised that managing the affairs of a cooperative is a complex matter. This requires qualities which could only be acquired through training. So far as the paid manager is concerned, the Conference felt that he must be suitably trained not only to be a good manager but also to acquire qualities which would make him effective with the elected management. Besides, the paid manager must have a sense of dedication to the cause of Cooperation.
- (c) An intensive member education programme should be followed to make themselves alive to their rights and responsibilities in order that they become capable of ensuring that both the elected and paid management remain efficient and honest.

(ii) It was recognised that cooperative societies in most of the developing countries are charged by the government with a multiplicity of functions. This, the Conference felt, was inevitable in the context of the situation prevailing in the developing countries. However, entrusting the cooperative with a variety of functions may result in a conflict of functions at certain times thus impairing the efficiency of the management. Therefore, it would be necessary to take such measures through communication and coordination as are necessary to ensure that there is no undue conflict of objectives.

The undertaking of a multiplicity of functions for the achievement of increased agricultural production would generally mean a sufficient volume of business. The taking up of many functions at the same time, however, would result in difficulties of management. Therefore, in the interests of proper management it is desirable that the cooperatives have a priority list in terms of their objectives.

(iii) In order to prevent stagnation and to promote new leadership a system of retiring one-third of the committee members every year may be adopted. In the first two years of a newly constituted committee, those who should retire are selected by lot.

This system of retiring by rotation has the added advantage that whilst new blood is brought in, so essential for the continuity of the cooperative movement, from the second year of a committee onwards, the majority of the committee are persons who have served on it for at least a year, thus ensuring the availability of experience and the continuity of policy. Some countries have even provided in their bye-laws for such retiring members to be ineligible for re-election for one year. This system has been tried out in several countries and been found successful.

(iv) Government personnel should be deputed to serve in co-operatives only at the request of such cooperatives.

(v) A cadre of paid managerial personnel may be formed within the movement so that security of service and promotional prospects are assured to the managerial personnel thus making cooperative service attractive.

(vi) Incentives should be provided for good work. The Conference noted that such incentives were provided in some countries on the basis of the turn-over. The practice might be adopted.

(vii) It is desirable to leave the actual task of management and the execution of policy to the paid manager whilst the board of directors confines itself to laying down policy and general supervision.

## 5. PRODUCTION PLANNING AND IMPLEMENTATION

The Conference noted the necessity for planning to be done by the village cooperatives in the context of their role in increasing agricultural production. The Conference, therefore, recommended that the village level cooperative must adopt planning as a matter of policy. In this context the Conference recommended the following :

(i) The society should ensure that each of its members prepares a production plan of his own in the light of his own resources and requirements and also indicates the target he wants to achieve. These individual production plans should form the basis of a production plan for the entire village.

(ii) The Conference was of the opinion that farm guidance and marketing information to the members are the pre-requisites of a good production plan and the society should have technical assistance to prepare such plans. Such services should be made available by the governments through the appropriate departments at least in the initial stages until the movement is itself able to provide this assistance.

(iii) The government should associate cooperatives with the formulation of agricultural production plans at various levels.

## 6. TYPE OF COOPERATIVE SOCIETY SUITABLE FOR AGRICULTURAL DEVELOPMENT

The Conference recognised that a primary cooperative society is needed at the base level and that a suitable super-structure should exist at the secondary and tertiary levels if agricultural production is to be increased.

### A. Main Features of such a Primary Society

As to the main features desired of such a primary cooperative, the Conference agreed that *inter alia* :

- (a) its area of operations should permit easy accessibility in terms of business, contact among members and holding of meetings,
- (b) its members should constitute a reasonable proportion of the potential membership within its area of operations,
- (c) it should collect a reasonable proportion of its working capital from the members by way of share capital and deposits,
- (d) it should be able to employ a qualified person as a full time and paid manager,
- (e) it should have potential viability, that is, it should have reasonable chances of success within a reasonable period of time.

### B. Minimum Functions of such a Primary Society

The minimum functions that should be performed by such a society are (i) to provide credit, both short-term (six months to one year) and medium term (2 to 5 years), (ii) to supply agricultural inputs, (iii) to make arrangements for the marketing of the agricultural produce of its members, (iv) to provide at least the minimum of consumer articles needed by its members and (v) to impart cooperative education to its members.

The Conference felt that as the cooperative gains more experience in course of time it should expand its activities. The aim should be the meeting of the maximum of the felt needs of the members.

### C. Secondary Societies

As to the societies at the secondary level, the Conference felt

that suitable cooperative units at such levels would be necessary for ensuring the efficiency of the village level cooperatives. These federal units should be so organised that there will be a separate structure for supplying credit (short, medium and long-term) to the cooperatives. Another structure—business federations—should be organised to take care of the functions of supplying agricultural inputs and consumer articles to the village level cooperatives and selling their produce.

The functions of education, training and public relations should also constitute an integral part of the functions of these secondary societies. However, separate secondary societies may be organised for this purpose where the needs of the movement could be better met through them.

The above stated recommendation should apply also to the tertiary/apex level.

## PART III

### BACKGROUND INFORMATION ON COOPERATIVE AGRICULTURAL DEVELOPMENT IN THE COUNTRIES OF THE PARTICIPANTS (EXCEPT KENYA)

#### A. CEYLON

##### (i) *Credit*

Although in Ceylon credit was provided in substantial amounts in the period beginning in the late forties and ending in 1966, the response of production to credit was not very significant. In the period after 1966, gains in productivity have been marked mainly because administrative steps were taken to ensure that credit was properly used and that financial resources were not wasted. The recent success of the "New Agricultural Credit Scheme" not only helped Ceylon to reach self-sufficiency in a number of foodstuffs but also strengthened the cooperative credit network and impressed upon it its true responsibilities.

From 1966 onwards, there was a conscious policy of promoting growth in the peasant sector of the economy with a view to attaining a better distribution of income and at the same time actively implementing the government's policy of import substitution in agriculture.

There was a marked increase in agricultural output owing to various inducements given to farmers in the form of improved agricultural inputs, price incentives and institutional credit. In the provision of these incentives, the cooperative system and the institutions financing the cooperatives played a very important role. The operation of a fertilizer subsidy and credit facilities through cooperatives have increased the consumption of fertilizers and the production of paddy, while the increase in the guaranteed price of rice from Rs. 12 to Rs. 14 per bushel was a further incentive and one which assured the farmers a stable market.

In the Maha season (October-March) of 1967-68, the People's Bank which took over from the Department of Agrarian Services

the granting of advances to farmers through cooperatives gave loans up to Rs. 61.4 million, out of which nearly 85% has been repaid. At the end of June 1969, Rs. 136.22 million had been disbursed of which nearly 60% had been recovered. The total percentage of default was about 16 per cent.

Earlier, some farmers used to consider loans as outright grants and did not consider it necessary to repay them. But with the transfer of the credit agency from a government department to a bank, the farmers were forced to realise their responsibilities in repaying the amounts received.

The new scheme has some weaknesses. Credit limits are determined on a national basis rather than on a regional basis. The need for credit in certain areas is less than the amounts given and there is a tendency for farmers to use borrowed funds for other purposes. Further, the existing indebtedness to other creditors results in these creditors collecting their dues from the threshing floor leaving the farmer without an adequate means of repayment of the cooperative loan. A fundamental weakness continues to be the inadequate supervision of credit.

Under the present arrangements, although credit is provided by the People's Bank, the government bears 75 per cent of the default minus half per cent of the total funds lent which half per cent accrues to the Central Bank of Ceylon as a guarantee fee. The rate of interest on monies borrowed by the members of primary societies is nine per cent while the default rate is 12 per cent.

Besides advances for paddy production, substantial loans have been given for the cultivation of subsidiary foodstuffs such as chillies, potatoes, Bombay onions, red onions and pulses. These used to constitute 90 per cent of the country's imports of subsidiary food crops. Today, as a result of the increase in credit for these items, the country produces 90 per cent of the total requirements of potatoes and red onions. There is now a total ban on the import of potatoes. This has acted as a powerful stimulant to increase domestic production.

In Ceylon credit is being granted to cooperatives (cooperative banks and societies) only by the People's Bank. A further method of granting credit to societies is the discounting by the Bank of "goods receipts" issued by the government storekeepers to the societies on the sale of paddy to the government under its guaranteed price scheme.



The People's Bank is owned by the government and the cooperative movement in equal measure, to the exclusion of all others. It has been set up to promote the cooperative movement, agricultural credit and rural banking. It is the apex bank for cooperatives. It is today almost the leading bank in the country with the largest number of branches, spread throughout the country. The assistance it gives rural cooperatives to set up and run rural banks by training their personnel and subsidising the salary of the manager for a few years, was considered worthy of emulation, at the discussion.

## B. INDIA

### (i) *Factors in Modernisation*

The programme of agricultural development in India has been under implementation in different stages. Prior to Independence there was virtual stagnation and agricultural productivity was growing at the rate of less than half per cent. The First Five Year Plan which was launched in 1950-51 gave priority to agricultural production and the main emphasis was on expanding the land base through increased irrigation facilities and reclamation of coastal land and a community development programme which was meant to provide a countrywide network of extension services to help the farmers with technical guidance and assistance. Land reform measures were introduced with a view to establish ownership cultivation to the maximum extent possible and to establish direct relationship between the tiller and the State. Abolition of intermediary tenures covering 40 per cent of the cultivated area was taken up. In other areas where tenancy problems were acute, legislation was initiated for imposing a ceiling on ownership, fixing farm rents, preventing arbitrary ejection of tenants etc. A programme of consolidating holdings was taken up. Land reform has been continued in the subsequent Plans as well. About 20 million tenants of the former intermediaries have gained ownership rights and in areas where intermediaries did not exist three million tenants have acquired ownership by purchasing the rights from the landlords. About one million hectares of land have been declared surplus as a result of the imposition of ceilings on ownership. 17.5 million hectares of land had been consolidated up to the end of 1965-66 and 10 million acres of waste land had been distributed among landless agricultural labourers.

The census of 1961 brought home the extreme urgency of maximising food production by revealing that during the decade

1951-61 the population had grown at 2.5% *i.e.* almost double the rate of the previous decades. With a view to achieve rapid increase in production the Intensive Agricultural Development Programme was adopted in 1961 under which certain districts having large potential for accelerated growth in agricultural production were selected and inputs, resources and technical staff were concentrated for ensuring the adoption of agricultural practices which would utilise the factors of production in optimum combination to maximise output. The evolution of high yielding varieties of paddy, wheat, maize, jowar, and bajra seeds and the successful demonstration of these varieties opened up possibilities of a rapid break-through in food production and made self-sufficiency a real prospect. The high yielding varieties programme now covers 8.5 million hectares and during the next five years it is expected to cover an additional 15.6 million hectares.

The development in the field of infra-structure includes the coverage of the entire country by 5,265 national extension service blocks each covering about 20,000 farm house-holds and serviced by a minimum of 10 village level workers and a team of technical experts. The staff is considerably augmented in areas covered by the Intensive Agricultural Development Programme. The coordination of research activities to make them purposive and oriented towards the solution of immediate problem besides fundamental research, the revitalisation of the cooperative credit, marketing and processing structure and the improvement of transport, communication and storage facilities are the main objectives of this Programme.

#### (ii) *Credit*

In India the various sources of credit for farmers were the government, cooperatives, commercial banks, traders, relatives etc. In 1956, according to the Rural Credit Survey conducted by the Reserve Bank of India, the share of government and cooperatives in agricultural finance was 3% each, while it was even less in the case of commercial banks. The main sources of credit were traders and relatives. The Survey Committee, taking into consideration all possible agencies in the field and the probable ones, came to the definite conclusion that cooperatives are the best agency for financing agricultural operations. The cooperatives therefore have been assigned a specific role in the Five Year Plans of the Government for the economic development of the country.

The cooperative movement in India was officially introduced in 1904 in the context of rural indebtedness on the recommendations of the Famine Commission which submitted its Report in 1901. On account of a very large percentage of the lands passing into the hands of money-lenders another type of organisation known as the Land Mortgage Banks was introduced in Madras in 1926. Since then the entire country has been covered by village primary societies which are serving about 40 per cent of the village population.

These societies are at present meeting 40 per cent of the total short and medium-term credit requirements of the farmers. The loans disbursed by village level societies are of the order of Rs. 4,000 million. These societies are affiliated to the District Cooperative Banks which are 344 in number. Each State has a State Cooperative Bank which comprises all the district cooperative banks in the State.

There is a separate cooperative structure for providing long-term finance—primary land development banks at the ground level and a State Land Development Bank at the State level. 19 State level and over 1,200 primary level land development banks are functioning in the country. These banks have provided loans on the mortgage of land to the tune of Rs. 1,000 million.

Upon the recommendation of the Rural Credit Survey Report of 1954, cooperative societies are assisting the farmers by advancing “crop loans”. These are based on the requirements of the farmer for raising his crops, individual limits being fixed on the basis of his specific repaying capacity in terms of expected crops and not on the basis of the security offered. The loan has three components *viz.*, (i) kind component for undertaking operations with traditional methods, (ii) kind component for agricultural inputs—chemical fertilizers, improved seeds, insecticides etc., and (iii) additional cash requirements not exceeding 50 per cent of the value of the kind component to meet the expenditure on the application of fertilizers, insecticides etc.

Another important source of credit is the Agricultural Refinancing Corporation set up by the Reserve Bank of India, Loans are given by this Corporation for area development on a long-term basis *e.g.* for major irrigation facilities for development of horticulture. These loans are repayable after a period of five years. This Corporation supplements the long-term resources of the Land Development Bank,

Lastly, fourteen major commercial banks have been recently nationalised in India and it is expected that some additional funds would be available to supplement the resources of the cooperative credit structure.

The various steps taken by the societies to ensure recoveries, to mobilise local resources, and to supervise the proper utilisation of loans were discussed. The need of an intensive programme for the education of members, potential members and office-bearers and the training of employees was stressed, at the discussion.

## C. JAPAN

### (i) *Production Planning and Implementation*

According to the Japanese government estimates based on 1966 statistics it was estimated that the demand of rice would decrease and that of wheat and barley would increase though not at a high rate in Japan, that on the other hand, commercial products like vegetables, fruits, eggs and meat would not be overshadowed by rice, and that sufficient attention should be paid to crops with more vitamins and protein content. Besides, now in Japan "bulk marketing" is practised. This bulk marketing requires mass production by farmers of crops of a homogeneous quality.

Due to the changes in economic conditions, the necessity for planned production in Japanese agriculture is becoming more and more acute. Because of this the role of the cooperatives in guiding their member-farmers assumes an added importance. Planned production is important to the cooperatives also for the purpose of stabilising agricultural incomes and consumer prices in the interests of their members.

Production planning forms a part of the campaign for a planned farmer's economy. This campaign was started in 1967 to induce all farming households to prepare plans for farm management. The member farmers were asked to prepare their own plans on the basis of "my home management plan" prepared by the Central Union of Agricultural Cooperatives of Japan to suit their particular requirements. The movement created quite a sensation among the farmers who had never thought of such planning in respect of their farms. It was found from experience that the success or failure of this campaign mainly depended upon the skill and the number of farm management advisers available to the cooperatives.

The Tamagawa cooperative started the first five year plan for the "construction of rice and alfa farming" in 1957. The third plan of this type is now under implementation. The plan was evaluated and it has been highly appreciated not only by other cooperatives but also by the government. The success of this plan was due to the excellent farm management advisers available to the cooperatives and the integrated manner of business activity conducted by the latter.

After a detailed study of the Tamagawa cooperative, the Central Union of Agricultural Cooperatives made a recommendation to all the cooperatives in 1961 that consolidated production areas should be established throughout the country. Such an area is called a "Cooperative Farming Complex" and now almost all cooperatives are operating such a complex.

From the experience of Japan it was seen that the following matters should be considered in the formulation of production plans elsewhere:

- (i) The determination of the income targets of the member and the farming pattern that should be followed.
- (ii) The commodity-wise grouping of members of agricultural cooperatives.
- (iii) Guidance and techniques.
- (iv) Contribution of cooperatives towards stabilising production.

#### D. THE REPUBLIC OF KOREA

##### (i) *Recent Developments in Agriculture*

The Korean economy has expanded at an average rate of 10 per cent per year since 1962. Such a high rate of growth has been made possible by the attainment of the goals set out in the First and the Second Five Year Economic Development Plans.

The agricultural sector has lagged behind compared to the rest of the economy during this period. However, there emerged a gradual reorganisation in the traditional pattern of agricultural production so essential for continued economic growth. The importance of agriculture in the economy has tended to decline in terms of its relative share of the nation's total employment and production. But the agricultural sector still contains about 50 per cent of the nation's population and accounts for nearly 30 per cent of the gross national product.

As of 1968, the agricultural land area amounts to 23 million hectares or 23 per cent of the total land area. Each of the 26

million households has on the average 0.9 hectare of cultivated land. The low per household land availability appears to reflect the lack of opportunities for employment in the other sectors and non-availability of additional land for reclamation.

The level of farm household income has begun to rise rapidly since 1961.

Agricultural production recorded a sharp increase in recent years; it increased 3.8 per cent from 1962 to 1967. This was not, however, an increase fast enough to meet both population growth and rising incomes. During the 1962-67 period, the flow of foodgrains from outside comprised 15.4 per cent of total annual domestic requirements.

In the present stage of agricultural development, Korea has two major goals for her farm programmes and policy: (i) improved farm income, and (ii) increased production of foodgrains.

Needless to say, farm income is closely related to the rest of the industry through its impact on the demand for industrial goods. It has an important bearing on the economic welfare and reinvestment opportunities of the farming population. Increased production of foodgrains can contribute to the economy by providing the additional capital required for industrialisation and it results in the saving of foreign exchange which would otherwise be used for the import of foodgrains.

The first priority underlying many of the development programmes in Korea is, then, to induce farm people to adopt new and improved practices in production on a voluntary basis. This can be achieved only through cooperatives. The agricultural sector is thus increasingly dependent upon the agricultural cooperative movement.

### *(ii) Farmer Education*

The Government of Korea has an agency which is mainly responsible for developing and extending improved technology in farming. However, the responsibility for adopting new practices must ultimately rest with the farmer.

The current farm guidance and education programmes consist of (i) group study and talk on subjects of common interest among farmers, (ii) farm product shows, (iii) training in farm management techniques, and (iv) dissemination of information on efficient farming practices through mass media. The farm guidance department of the agricultural cooperatives creates favourable conditions

for a balanced and integrated approach towards the adoption of new technology.

The agricultural cooperatives of Korea deal with credit and various farm supplies, such as chemical fertilizers, farm chemicals, farm machinery and Improved seeds.

Chemical fertilizer was sold in two separate outlets till 1961, i.e. through the government and in the free market. When this distribution system proved unsuccessful the government turned to the newly established agricultural cooperative as a remedy. The cooperative was given exclusive authority to handle chemical fertilizer in 1961. The cooperative system of distribution has resulted in two major benefits. First the new system has secured stability of prices at reasonable rates and the sale of fertilizer on credit has ensured adequate application of fertilizer by producers. Secondly, the distribution system has ensured balanced chemical fertilization in terms of plant nutrients. The application ratio changed from 64.3 per cent of nitrogen, 30.3 per cent of phosphorus and 5.4 per cent of potash in 1962 to 59.9 per cent, 25.2 per cent and 14.9 per cent respectively in 1968.

The supply of farm chemicals has expanded rapidly through the cooperatives. Furthermore, cooperatives have recently arranged for joint prevention of crop diseases in close cooperation with the government agencies concerned.

The agricultural cooperatives of Korea have taken good advantage of joint purchase for supplying farm machinery to member farmers. In addition, the cooperatives have set up machinery service stations to provide technical information and repairing services to the farmers.

The credit services rendered by the cooperatives are closely geared to the particular needs of individual farmers. The cooperatives depend upon external sources of finance for supplying credit to member farmers. These external sources include (i) borrowings from the central bank or from the government, (ii) deposits by urban residents, and (iii) agricultural credit debentures.

Cooperative credit is allowed mainly for productive purposes. This is ensured by arrangements (i) to see that loans are used only for production purposes, and (ii) to issue farm materials and equipment on the basis of the particular farming programmes of the members.

Cooperative marketing has made an important contribution to the improvement of farm income in Korea. Some of the important

marketing functions like assembling, grading and sorting, standardisation, and packing are done by the cooperatives for the benefit of both producers and consumers.

Among the major commodities handled by cooperatives are newly developed cash crops. Since most of these crops lack in stable demand, the cooperatives assume the responsibility for complete disposal of the produce by contract with the producers. Beer barley, fruits, vegetables, milk, sweet potatoes, corn, and cocoon are some of the important cash crops and products.

Another important role of the cooperatives is the processing of farm products and the joint utilisation of various facilities and equipment needed by farmers. Specifically, such services as storage, milling, artificial insemination for livestock, transportation, and feed mixing are currently rendered by the cooperatives for the benefit of member farmers.

Reluctance to change on the part of the farmers was recognised to be the most formidable barrier. The role of the cooperative system in creating initiative and incentive among the farmers has proved to be a vital one in the present stage of agricultural development in Korea.

#### E. MALAYSIA

Four out of five and a half million acres are devoted to the cultivation of rubber and the rest to food crops in Malaysia. Half of the acreage under rubber comprises large holdings whilst the other half consists of small holdings. Cooperatives in this field are confined to the small-holders. Next to rubber, rice occupies the largest area of cultivated land. In 1964-65 there were 855,000 acres under paddy of which 43,000 were under dry paddy.

Coconut comes next with 500,000 acres. The crop is for the greater part converted into copra and sold to oil mills in Malaysia as well as abroad.

Pineapple is another important crop. There were 40,000 acres under this in 1964. Malaysia was one of the first countries to undertake the canning of pineapple.

Vegetables, cocoa, pepper, sago, tea, coffee, tobacco and abaca hemp bring up the rear.

There are at present 2,641 agricultural cooperatives, with a membership totalling up to 225,275 in Malaysia, including the province of Sabah in the island of Borneo.

The agricultural cooperatives of various types are: agricultural credit, processing/marketing, fishermen's, paddy, savings and loan,



land development, farmers and cattle-breeding. These societies are served by the Bank Kerjasama. The Bank has obtained a large portion of its working capital from the government, commercial banks and the wealthier thrift and loan societies. Under its five-year capital accumulation plan, the Bank and its member banking unions and rural cooperative credit societies are trying to increase the number of rural credit societies to 2,550 and of individual members to 127,500 and the amount of paid up capital to 25 million Malaysian dollars.

#### F. NEPAL

Cooperation is not a new concept in Nepal. Helping one another on social occasions and in agricultural operations has been the custom down the ages. Group farming known as Manka Jya or Manka Guthi and the custom of mutual help in farming operations without any payment obtains in the north-western part of the country even now.

Cooperation, however, in the modern sense is of very recent origin. Cooperation received recognition only with the adoption of a democratic form of government in 1951. A separate department of government to promote Cooperation was established only in 1954.

The position today is that there are 1,483 societies with 57,538 members, with a share capital of Rs. 4,100,000. The loans advanced by the government to the cooperatives total up to Rs. 4,108,233. Of these societies 1,089 are multipurpose societies, 256 are credit, 44 are cottage industry societies, six dairy societies, 40 consumers societies, 21 marketing and credit unions and 27 are of other types.

The cooperatives are financed by the Agricultural Development Bank.

There are two tiers in the Nepal Movement—primary societies at the village level and secondary societies (unions) at the district level. There is no national organisation of the cooperative movement.

The agricultural development of the country is based on the land reforms effected recently. There are three phases of this land reforms programme *viz.*, (i) a cadastral survey of the area coupled with a census of the tenants and a system of compulsory savings, (ii) organisation of multi-purpose cooperatives to promote credit and marketing facilities at the village level, and (iii) a coordinated and effective agricultural extension programme.

In 1967 in the district of Bhaktapur the government transferred the savings collected under the land reform programme to the co-operatives which then allotted shares in the cooperatives to the members in proportion to their savings under the compulsory scheme. This was done on an experimental basis and proved successful. The 25 cooperatives in that district thereby received a share capital of 415,000. This enabled the societies of this district to service the members, farming operations more comprehensively resulting in a three-fold increase in the production of rice and wheat in that district.

There are several problems and difficulties in the way of co-operative development in Nepal. The lack of loyalty on the part of the members, mainly the result of illiteracy, the lack of trained and experienced leadership and managerial skill, the lack of adequate financial resources, and the presence of powerful middlemen are some of them.

The agricultural structure of Nepal and the need of land reform as a basis for agricultural development, the attempts made to effect land reforms after the revolution of 1950 and some basic objectives and important provisions of the present Land Reform Programme were explained at the Conference. The important provisions of land reform which had resulted in accelerating agricultural development in Nepal were stated to be :

- (i) the provision of land to the tiller through various measures *e.g.* abolition of the “birta”, the “ukhada” and “khuwa khanki” systems, and His Majesty the King of Nepal giving up all his personal (farmayasi) lands. Apart from this under the present land reform policy the government has set a ceiling on ownership and acquired any lands held by a person in excess of this ceiling. This excess has been distributed among the farmers ;
- (ii) the securing of tenancy rights ;
- (iii) the prohibition of practices of exploitation by zamindars, money-lenders, landlords etc. ;
- (iv) freeing the farmers of debt amounting to more than four crores through a debt redemption programme ;
- (v) the establishment of rural institutional units all over the Kingdom in the form of ward and village committees ;
- (vi) the pooling of internal resources amounting to Rs. 120 million through a scheme of compulsory savings and a

scheme of "intercepting" amounts paid in settlement of agricultural loans given by private money-lenders ;

- (vii) the freezing of rents as an incentive to the farmers to increase productivity.

The coordinated agricultural development programme of Nepal and the part played by land reform measures in this programme were significant.

The problems faced in the agricultural development programme were stated to be : (a) the high cost of production, (b) the lack of developed transport facilities, (c) a shortage of trained personnel, (d) the lack of an adequate supply of inputs from abroad, (e) the lack of irrigation facilities, and (f) the lack of an overall soil survey.

The following were the major factors relating to cooperative development in Nepal :

- (i) Cooperatives are necessary for replacing the non-institutional system of credit. This was the only way in which the problem of rural indebtedness could be tackled effectively.
- (ii) The assistance of cooperatives is necessary to solve problems relating to distribution and prices.
- (iii) Cooperative stores are necessary for supplying agricultural inputs and consumption goods at reasonable prices to the farmers.
- (iv) With the provision of land ceilings there is a danger of sub-division and fragmentation of land the disadvantages of which can be effectively avoided through cooperative farming.
- (v) Cooperatives could help farmers by enabling them to acquire small holdings by the provision of credit for making reasonable investments in land.
- (vi) Cooperatives would also be the best media of organising farmers and thereby facilitating their local participation in the implementation of the programme meant for them.
- (vii) Cooperatives could train local farmers and also provide them with investment opportunities and supplementary avenues of employment.

Some of the problems faced by the cooperative societies in Nepal were : (i) lack of supervision, (ii) shortage of trained personnel, (iii) lack of managerial capacity among the villagers, (iv) the lack of resources, (v) the inadequacy of transport facilities, (vi) poverty, and (vii) illiteracy.

## G. TANZANIA

Ever since a Cooperative Law was enacted in 1932, marketing cooperatives have been steadily growing in number. Today there are 1,670 societies of which 1,346 are marketing societies. Of these 29 are marketing unions. By 1960 over a third of the agricultural exports (coffee, cotton, tobacco, maize, paddy, cashew-nuts, copra, oil seeds) was handled by cooperatives.

There is an integrated approach to rural development. The "Ujamaa village" (Agricultural Association) is the type of rural organisation which is promoted. It is a socialist village meaning "a village where people live together, and produce together for the benefit of themselves". The main occupation of the village is agricultural production.

The cooperative movement is based on multi-purpose societies and it is totally committed to the task of agricultural promotion.

## H. THAILAND

### (a) *Production Credit and Land Improvement*

In a predominantly agricultural country like Thailand, in order to raise the standard of living of the farmers and to increase their income the farmers must be organised into sizeable groups or cooperative societies so that all government efforts to increase agricultural production can be effectively made through these societies. The first cooperative society in Thailand, which was a rural credit society, was organised some fifty years ago in Pitsanuloke province, northern Thailand. Ever since then, the movement has been expanding all over the country.

Production credit cooperatives were organised in 1958. These are based on limited liability and are larger in size than the ordinary village credit cooperatives. Lending operations are primarily for productive purposes. By the end of 1966, there were ten production credit cooperative societies with a total membership of 3,401 farm families.

Another type of cooperative of relevance to this subject is the land improvement cooperative. A land improvement cooperative aims at acquainting farmer members with modern irrigation, modern crop patterns and farming techniques, including modern farm management. Land improvement cooperatives are set up both in the areas irrigated by the Royal Irrigation Department and in non-irrigated areas. In the irrigated areas, these cooperatives are organised to use the water reservoirs constructed by the

Irrigation Department to conserve water in the water-dearth regions. The cooperatives in the non-irrigated areas have to construct their own water-pump stations and other facilities to regulate the water flow. At the end of 1966, there were 151 land improvement cooperative societies operating in an area of about 22,000 acres. Cooperatives of both these types have proved successful in terms of increase in production. They are suitable for being developed into multipurpose cooperatives.

Having recognised the national problems of low yields and of marketing, together with the success of cooperatives of the above types, an amalgamation programme has been launched to merge the small societies into bigger and viable ones with the aim of reaching the level of the existing production credit societies. This is a three-year plan. The target for the first year is set at 21 amalgamated societies.

Two multipurpose cooperative pilot projects were started recently in Thailand. One has been developed from an existing land settlement cooperative while the other developed from a land improvement cooperative. These two cooperatives will serve as models. The latter cooperative covers an area of about 16,000 acres next to the rice research centre. This area will be used as a rice seed production area. Therefore, land levelling and consolidation is being done throughout the entire area.

### ***(b) Supply of Agricultural Inputs***

In order to handle agricultural inputs, as well as marketing, cooperatives must have their own system in which supplies will flow from the top to the bottom. The Federation of Marketing and Purchasing of Thailand was organised in 1969 to perform, among other things the function of supplying all agricultural inputs required by member-societies. The Federation supplied about 5,000 tons of fertilizer to member-societies during 1969. Other supplies are also being undertaken by the Federation.

The setting up of federations at the provincial level is also encouraged in order that they may be able to take care of marketing and supply functions. This operation is taking place in three provinces since 1969. Other areas would be taken up later.

### ***(c) Marketing***

Marketing of agricultural produce is mostly in the hands of middlemen in Thailand. Cooperatives play only a limited role in this field. To help farmers increase their bargaining power in

dealing with rice merchants and owners of private rice mills, cooperative paddy marketing societies have been organised. These however proved to be of little success except those having their own rice mills. These societies will also be integrated into large societies according to the amalgamation programme.

## PART IV

### SUMMARY OF RECOMMENDATIONS

#### 1. MODERNISING AGRICULTURE

(i) A realistic price support policy should be adopted by the authorities concerned so that farmers may get incentives for increasing agricultural productivity.

(ii) Greater international cooperation especially between co-operatives should be sought in regard to export crops.

(iii) Intensive and extensive education of farmers should be conducted in the field of modern agricultural technology. Farm guidance by cooperatives can play a very important role in this regard.

(iv) International technical assistance could be of considerable help in meeting the shortage of trained personnel for the immediate future.

(v) Crop insurance should be adopted in selected areas on a pilot basis to gain sufficient experience for its subsequent extension. Wherever needed, legislation should be enacted expeditiously.

#### 2. LAND REFORM AND THE ROLE OF COOPERATIVES

(i) Land reform as a measure of social justice should be comprehensive and should include programmes for stepping up private and public investment to raise agricultural productivity.

(ii) Smaller production units as a consequence of land reform should be brought under the institutional framework to enable farmers to apply modern technology on a large scale.

(iii) Promotion of agricultural cooperatives dealing with credit, supply, marketing and processing should constitute an integral part of the land reform programme.

(iv) Fragmented land holdings should be consolidated to adopt improved technology. Such consolidation programme should leave no room for relapse into fragmentation again.

#### 3. FACTORS CONTRIBUTING TO INCREASE IN PRODUCTION

##### (a) *Credit*

(i) Cooperatives as the most suitable agency to provide agri-

cultural credit should formulate a long-term plan for the supply of credit.

(ii) The loan should be production-oriented and it should be advanced on the basis of economic profitability of production with adequate measures to ensure proper utilisation and recovery of the loan such as supervision and the system of linking credit with marketing.

(iii) The rate of interest charged by cooperatives should be realistic.

(iv) Smaller cultivators and tenants should be the major beneficiaries of cooperative loans.

(v) With a view to reduce and ultimately eliminate reliance on external financial agencies the cooperatives should mobilise their internal resources on a large scale.

(vi) To meet medium and long-term credit requirements financial institutions such as land mortgage banks should be established or strengthened with adequate government financial and other support.

(vii) Proper training and education of members and office-bearers should be undertaken to ensure the proper utilisation of loans.

(viii) Medium-term loans should be made available to farmers who have the capacity for repayment.

#### **(b) *Agricultural Inputs***

(i) Assessment should be made of the needs of the individual farmers and the total requirements of the members of the cooperative.

(ii) The best methods of procurement and distribution of inputs should be found.

(iii) Adequate guidance for the proper application of inputs should be provided.

(iv) The total involvement of the agricultural cooperative movement in the distribution of inputs should be ensured in the national development plans.

(v) Adequate financial facilities and godowns should be made available for cooperatives to participate effectively in manufacturing, acquiring and distributing agricultural inputs.

### **4. MANAGEMENT PROBLEMS OF AGRICULTURAL COOPERATIVES**

(i) The cooperatives should be strengthened to enable the employment of efficient managers to conduct their business activities.



(ii) The training of management committee members and paid managers is essential to improve their quality to deal with the complex affairs of a cooperative. The paid manager must also have a sense of dedication.

(iii) An intensive member education programme should be implemented so that both the elected and the appointed management remain efficient.

(iv) Any undue conflict of objectives of cooperatives which may be caused by a multiplicity of functions with which they are charged by the governments should be eliminated through communication and coordination.

(v) In the interest of proper management it is desirable that cooperatives have some priority list in terms of their objectives when they take up multiple functions.

(vi) In order to prevent stagnation and to promote new leadership a system of retiring a portion of the management committee by rotation may be adopted.

(vii) Government personnel should be deputed to serve in cooperatives only at the request of the cooperatives.

(viii) A cadre of paid managerial personnel may be formed within the movement so that security of tenure and promotional prospects are assured to such personnel. Incentives should also be provided for good work.

(ix) Actual management of affairs should be left to the paid manager whilst the board of directors should confine itself to the laying down of policy and general supervision.

## 5. PRODUCTION PLANNING AND IMPLEMENTATION

(i) As a matter of policy the village level cooperative must adopt a production plan for the entire village.

(ii) The cooperative should ensure that each of its members prepares a production plan.

(iii) The cooperative should provide technical assistance to prepare such plans. However, such assistance should be made available by the government in the initial stages until the movement is able to provide it.

(iv) The government should associate cooperatives with agricultural planning at various levels.

## 6. TYPE OF COOPERATIVE SOCIETY

(i) The main features of a village level cooperative should be :

(a) the area of operations should permit easy accessibility

in terms of business, contact among members and holding of meetings ;

- (b) the membership should constitute a reasonable proportion of the potential members within its area of operations ;
- (c) a reasonable proportion of its working capital should be collected from among the members by way of share capital and deposits ;
- (d) a full-time paid and qualified manager should be employed ;
- (e) potential viability within a reasonable period of time should be there.

(ii) The minimum functions of such a cooperative should be :

- (a) to provide credit, both short-term and medium-term,
- (b) to provide agricultural inputs ;
- (c) to make arrangements for marketing the agricultural produce of its members ;
- (d) to provide at least the minimum consumer articles needed by its members ;
- (e) to impart cooperative education to its members.

(iii) As regards the secondary and tertiary/apex level organisations there should be :

- (a) a separate structure to provide credit (short, medium and long-term) ;
- (b) another structure—business federations—to undertake the functions of supply (of both agricultural inputs and consumer articles) and marketing ;
- (c) the functions of education, training and public relations should constitute an integral part of the functions of these federations.

## Appendix I

### PARTICIPANTS, OBSERVERS AND CONFERENCE STAFF

#### A. PARTICIPANTS

- |          |    |   |
|----------|----|---|
| CEYLON   | 1. | Mr. D.D.W. Kannangara<br>General Manager, People's Bank<br>Parsons Road, Colombo-2  |
| INDIA    | 2. | Mr. M.S. Asthana<br>Deputy General Manager<br>Central Warehousing Corporation<br>C-90, N.D.S.E. II<br>New Delhi-14  |
|          | 3. | Mr. K.S. Chandrasekaran<br>Commissioner<br>Department of Cooperation<br>Ministry of Food, Agriculture, Community<br>Development and Cooperation<br>Krishi Bhavan, New Delhi-1 |
| JAPAN    | 4. | Mr. S. Miyagawa<br>Chief, Promotion Section<br>Farm Guidance Department<br>Central Union of Agricultural Cooperatives<br>8-3, 1-Chome, Otemachi<br>Chiyodaku, TOKYO           |
| KOREA    | 5. | Mr. Hyo Chul Ahn<br>Manager, Research Department<br>National Agricultural Coop. Federation<br>75, 1 ka-Choonjong Ro<br>Sudaemoon Ku, SEOUL                                    |
| MALAYSIA | 6. | Mr. G.S. Dass<br>Assistant Commissioner<br>Department of Cooperative Development<br>Swettenham Road, KUALA LUMPUR   |

- NEPAL
7. Mr. N.B. Shah  
Registrar of Cooperative Societies  
Ministry of Land Reform  
His Majesty's Government  
Singha Durbar, KATHMANDU
  8. Mr. Kali Prasad Rijal, Director  
Land Reform Department  
Ministry of Land Reform  
Singha Durbar, KATHMANDU
  9. Mr. S.P. Chapagain  
Assistant Agricultural Economist  
Ministry of Food and Agriculture  
KATHMANDU
- THAILAND
10. Col. Surin Cholpraserd  
Registrar of Cooperative Societies &  
Chairman, Cooperative League of Thailand  
Ministry of National Development  
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- TANZANIA
11. Mr. Gabriel Kagaruki, Principal  
Cooperative College, MOSHI
- KENYA
12. Mr. D.J. Nyanjom  
Commissioner for Cooperative Development  
NAIROBI
- ILO
13. Mr. R.C. Sharma  
ILO Regional Office for Asia  
PO Box 1795, BANGKOK, Thailand

## **B. OBSERVERS**

1. Mr. Shrikrishn Upadhyay Division Chief  
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2. Mr. Solomon G. Cabrera Consultant  
Agricultural Development Bank  
Kathmandu
3. Mr. Dan Lepsce Agriculture Supply Advisor  
USAID/NEPAL  
Rabibhavan  
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4. Mr. Frank Colling      Extension Advisor  
USAID/NEPAL  
Rabibhavan  
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5. Mr. R.E. Fort          Chief  
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USAID/NEPAL  
Rabibhavan, Kathmandu
6. Mr. Don Phalser        Advisor  
Grain Storage and Marketing  
USAID/NEPAL  
Rabibhavan, Kathmandu
7. Mr. R.P. Sharma        Under Secretary  
Ministry of Finance  
Foreign Aid Division  
Singha Durbar, Kathmandu
8. Mr. G.P. Sharma        General Manager  
Resettlement Company  
Kathmandu
9. Mr. B.P. Bhattarai     Director  
Agriculture Extension Department  
Singha Durbar, Kathmandu
10. Mr. Prem L. Chitrakar   District Agricultural Division Officer  
Dept. of Agriculture & Extension  
Ministry of Food and Agriculture  
Kathmandu
11. Mr. Sivaraj Shrestha   General Manager  
Sajha  
Kathmandu
12. Mr. S.R. Shrestha     Officer on Special Duty  
Sajha Stores  
Kathmandu
13. Mr. P. Lal              Deputy Registrar  
Cooperative Department  
Singha Durbar, Kathmandu

## **C. CONFERENCE STAFF**

1. Mr. P.E. Weeraman  
Regional Director for South & East Asia  
International Cooperative Alliance  
Regional Office & Education Centre for  
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43, Friends Colony  
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2. Mr. Shiro Futagami  
Deputy Director, Education  
International Cooperative Alliance  
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3. Mr. M.R. Kaushal  
Director, Rural Cooperatives  
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C-117/118, Defence Colony, New Delhi-3
4. Mr. A.H. Ganesan  
Secretary to the Regional Director  
International Cooperative Alliance  
43, Friends Colony  
New Delhi-14
5. Mr. N.L. Gulati, Secretary  
Afro-Asian Rural Reconstruction  
Organisation  
C-117/118, Defence Colony  
New Delhi-3

## Appendix II

### CONFERENCE PROGRAMME

#### Part I—Introductory

#### **Sunday, November 16**

0900 a.m.

Registration of Participants

1000 a.m. Session I

Inauguration of the Conference

*by* Hon'ble Mr. Rudra Prasad Giri

Minister for Land Reform

His Majesty's Government

Singha Durbar, Kathmandu

1430 Session II

Working Methods of the Conference

*by* Mr. P.E. Weeraman

Regional Director for South & East Asia

International Cooperative Alliance

Regional Office & Education Centre

for South and East Asia

Obstacles to Agricultural Development

and Factors contributing to Modernising

Agriculture

*by* Mr. K. S. Chandrasekaran

Commissioner

Department of Cooperation

Ministry of Food, Agriculture,

Com. Development and Cooperation

New Delhi

Discussion

#### **Monday, November 17**

Morning

Study Visits to Areas of Land Reform

Implementation

Afternoon

Study visits to Agricultural Cooperatives

#### **Tuesday, November 18**

1000-1230 Session III

Land Reform as a Basis for Agricultural

Development and the Role of Coopera-

tives in Schemes of Land Reform

*Introduced by* : Mr. Kali Prasad Rijal

Director

Land Reform Depart-

ment, Kathmandu

Discussion

**Part II—Agricultural Production Planning and the Tasks of Co-operatives in the Formulation and Implementation of such Plans**

1430-1730 Session IV. A Factors contributing to Increase in production :

Presentation of Paper on : Credit :

*by* : (i) Mr. M. S. Asthana  
Deputy General Manager  
Central Warehousing Corporation  
New Delhi.

(ii) Mr. D.D.W. Kannangara  
General Manager  
People's Bank Colombo.

Discussion

**Wednesday, November 19**

0900-1230 Session IV. B Presentation of Paper on :

Agricultural Inputs :

*by* : Col. Surin Cholpraserd  
Registrar of Cooperative  
Societies and Chairman  
Cooperative League of Thailand  
Bangkok

Discussion

Session V

Management Problems of Agricultural  
Cooperatives in Developing Countries

*Introduced by* : Mr. Hyo Chul Ahn

Manager  
Research Department  
National Agricultural  
Cooperative Federation,  
Seoul

Discussion

1430-1730 Session VI Agricultural Production Planning and the  
Tasks of Cooperatives in the Formulation  
and Implementation of such Plans :  
Achievements in Japan :



*by* : Mr. S. Miyagawa  
Chief, Promotion Section  
Farm Guidance Department  
Central Union of Agricultural  
Cooperatives, Tokyo

Achievements in Malaysia :

*by* : Mr. G.S. Dass  
Assistant Commissioner  
Department of Cooperative  
Development, Kuala Lumpur

Achievements in Nepal :

*by* : Mr. Shankar P. Chapagain  
Assistant Agricultural Economist  
Ministry of Food and Agriculture  
Singha Durbar, Kathmandu

Discussion

#### **Thursday, November 20**

0900-1230 Session VII      Type of Cooperative Society Suitable for  
Increased Production Programme/Policy

*Introduced by* : Mr. M.S. Asthana  
Dy. General Manager  
Central Warehousing  
Corporation, New Delhi  
Mr. N.B. Shah  
Registrar of Cooperative  
Societies, Kathmandu

Discussion

1430-1730 Session VIII      International Technical Assistance for  
the Development of Agricultural Co-  
operatives with special reference to Nepal

*Introduced by* : Mr. N.B. Shah, Registrar  
Cooperative Societies  
Kathmandu

#### **Friday, November 21**

1430-1730 Session IX      Consideration of the Draft Report  
Concluding Remarks

Inaugural Address by Hon'ble Mr. Rudra Prasad Giri, Minister of Land Reform, his Majesty's Government of Nepal on Sunday, November 16, 1969

Mr. Chairman, Ministers, Your Excellencies, Fellow Cooperators and Gentlemen :

First of all I would like to express my thanks to the International Cooperative Alliance and the Afro-Asian Rural Reconstruction Organization for giving me this opportunity to participate in this inaugural ceremony.

It would not be an exaggeration to say that cooperation is one of the appropriate instruments to bring about an increase in agricultural production and a durable rise in the standard of life of the rural population. It is the most beneficial and the best form of economy for the Panchayat Democracy of Nepal which is based on partlessness. Cooperation based on the ideal objective of everybody's welfare, everybody's happiness and everybody's all-round prosperity is an inseparable part of the Panchayat System which aims at creating an exploitationless and conflictless society. Thus cooperative organization and Panchayat System are complementary and supplementary to each other.

The role of cooperation has been further increased and strengthened in this country as it has been mentioned in the ten-commandments in the "Back to the Village" National Campaign given by His Majesty the King.

His Majesty's Government of Nepal has also placed greater emphasis on its development and progress as it is one of the instruments for economic development to the developing nations.

Though the history of cooperative movement in Nepal is very short and quite recent as old as a decade only, it has been proved successful considering the progress and achievements made so far in comparison to the progress and achievements in this field made in different countries within that period. We are quite prepared to face difficulties and problems standing on its way to success. Although this trend is encouraging, still we have to do much more

in the field of cooperation as is common with other developing countries.

Land problem is one of the major problems in the economic life of Nepal. It is a chronic national problem which has affected not only agriculture but also the entire social and economic life of the country. Therefore land reform programme has been implemented in Nepal since 1964 with the ultimate objective of bringing about fundamental changes in the social and economic life of all the people in Nepal. The object of the land reform programme is to improve the standard of living of the actual tillers and to provide encouragement for the maximisation of agricultural production. To achieve this object in the Lands Act 1964 there are provisions of security of tenure to actual tillers, reduction of rents, acquisition and distribution of the excess lands above the ceilings among landless peasants and other deserving tenants, collection of compulsory saving of the cultivators for creating an alternative fund for advancing agricultural loans for short term purposes and granting ultimate ownership of land to the tillers themselves and thereby improving their economic conditions.

Out of the three phases, organization of multipurpose cooperative societies to provide credit and marketing facilities to the peasants is the second phase of land reform programme in Nepal. Thus land reform programme has been quite favourable to the rapid and smooth development and progress of cooperative movement in Nepal.

As has been faced by different countries in the initial stages of cooperative movement, the problems of extreme paucity of finance, lack of trained personnel and so on are also major problems in Nepal. In spite of serious problems and difficulties, the belief of His Majesty's Government of Nepal in cooperation as the most promising form of rural socio-economic organization has not been shaken and rather has increased. We have confidence and conviction in the cooperative system that the movement is an indispensable instrument for an efficient implementation of our rural economic development projects. Therefore we are trying our best to make vigorous attempts to overcome the present deficiencies in the cooperative structure, often at the cost of considerable sacrifices in terms of money and manpower.

His Majesty's Government of Nepal has realised the fact that government guidance, supervision, technical assistance and finance are indispensable and will continue to be so in the foreseeable

future, if cooperation is to be an efficient instrument for bringing about agricultural development and for making the cooperative movement a reliable system through which internal and international finance can be channelled with full confidence in its proper distribution, utilization and recovery.

Though gradual step has been taken in the organization of cooperative societies in the non-agricultural sector also such as cottage and small scale industries, consumers and transportation etc., at present His Majesty's Government has concentrated its efforts more on the development and progress of Agricultural Cooperatives mainly because Nepal is predominantly an agricultural country.

As has been the problem already outlined, cooperative societies have not been organized in all parts of our country. For the immediate solution of the short term credit needs of the peasants, Ward Committees have been formed under the land reform programme. This Ward Committee is entrusted with the task of collecting compulsory savings both from the tenants and the landowners and is also responsible for lending out the collected funds to the peasants for agricultural purposes. According to the plan of His Majesty's Government of Nepal ultimately the compulsory savings collected under the land reform programme are to be transferred to the cooperative societies as share capital. Thus the capital will be generated and mobilised in the cooperative sector. Accordingly in Bhaktapur District the compulsory savings have already been transferred to the cooperative societies.

His Majesty's Government of Nepal has a long term plan according to which each Panchayat will have one multipurpose cooperative society which will run efficiently and viably fulfilling the requirements of the rural people. Such is the systematic aspect of the plan and programme of His Majesty's Government of Nepal with regard to the development and progress of the cooperative movement in Nepal.

I think the success of land reform programme, the unique feature of compulsory savings and the achievements and progress of cooperative movement in Nepal made so far under the dynamic leadership of His Majesty the King will be an interesting example to all the delegates from different Afro-Asian countries.

Though Nepal is not a member of the ICA, we are fully convinced that the training facilities made available by ICA to Nepal will be a great strength to the development of cooperative

movement for this country. After the establishment of Apex Cooperative Organization, Nepal hopes to be its member. We highly appreciate that since the establishment of Regional Office & Education Centre of ICA in New Delhi, it has contributed a lot in the task of imbibing the importance of cooperative ideas among the people of this region. World peace and human welfare are possible only by means of mutual cooperation and mutual understanding not by war. Thus cooperation will prove not only to improve the economic conditions but also to establish good socio-political relations among the nations of the world.

We are grateful to ICA for inviting Nepalese delegates in the different international cooperative conferences held in different countries and believe that other necessary assistance will be made available by the ICA in the development and progress of the cooperative movement in Nepal in the future also.

The socio-economic problems of different Afro-Asian countries may not be common but it can be fairly said than in all these countries cooperation is the most important instrument to combat them. I have full confidence that the conference will realise the basic problems, difficulties and shortcomings confronted in the cooperative movement of Afro-Asian countries and the outcome of the conference will be significant and fruitful as a milestone on the road to progress towards better socio-economic conditions through cooperation.

I sincerely hope that the delegates in this Conference will have a pleasant and happy stay in this Himalayan Kingdom of Nepal. The climate is very nice at the moment. You will enjoy it very much. I hope that the aims and objectives of this Conference will be fulfilled and the findings of your experienced deliberation will be of greater value to the participating nations.

Lastly, I would like to express my gratitude to the organisers for selecting Kathmandu as its venue and wish every success to the Conference.

Thank you.

Address by Mr. N.B. Shah, Registrar of Cooperative Societies, Kathmandu, Nepal, on the inaugural day of the Conference, on 16th November 1969.

Mr. Chairman, Hon'ble Ministers, Your Excellencies, Fellow Cooperators, and Gentlemen,

It is a matter of great honour and privilege for me to welcome all the distinguished persons present here on the auspicious occasion of the inaugural ceremony of this Conference which is being held under the joint auspices of His Majesty's Government of Nepal, International Cooperative Alliance and Afro-Asian Rural Reconstruction Organisation. This type of Conference about the role of Cooperatives in the Agricultural Development of the Asian and African developing nations whose economy depends largely on agricultural development, will contribute a lot to the world because the exchange of ideas and knowledge of the experts and experienced cooperators of different countries participating in this Conference, will no doubt be a great strength in the development of cooperative movement of these countries.

I believe this Conference will further help develop the feeling of cooperation and mutual understanding among the nations and lead the cooperative movement to the path of human welfare.

Finally, I would like to express our deep appreciation and sincere thanks to the Hon'ble Ministers, Your Excellencies, distinguished delegates and guests for sparing their valuable time to attend this function.

Thank you.

## Appendix IV (a)

Introductory Remarks on the Activities of the International Co-operative Alliance Regional Office & Education Centre for South & East Asia, New Delhi by Mr. P.E. Weeraman, Regional Director for South & East Asia, ICA, New Delhi.

Your Excellencies, Distinguished Participants, Ladies and Gentlemen,

I am very grateful to you for your kind presence here this morning, especially for the gracious presence of the Hon'ble Mr. Giri, Minister of Land Reform and Food and Agriculture, in His Majesty's Government of Nepal and the accredited representatives of certain countries served by the ICA and the AARRO.

We are assembled here to inaugurate an Experts' Conference on the "Role of Cooperatives in Agricultural Development". This Conference has been organised by the International Co-operative Alliance and the Afro-Asian Rural Reconstruction Organization (AARRO) jointly with the assistance of His Majesty's Government of Nepal. It is a regional conference in that the experts have been selected from the Region in which the Afro-Asian Rural Reconstruction Organisation and the International Co-operative Alliance Regional Office & Education Centre for South & East Asia, operate. Thus, we have with us participants from ten countries of the region ranging from Tanzania to Japan. We also have with us a representative of the ILO. I am very grateful to all of them for their participation in this Conference.

This is the second occasion on which the ICA is holding a technical meeting in Nepal. The first was a national seminar on Agricultural Cooperation held in August 1964 in this same city. This time we are very glad to have the collaboration of the Afro-Asian Rural Reconstruction Organisation.

The Conference you are about to inaugurate, Sir, is designed to study the role of cooperatives in agricultural development. The distinguished participants we have with us are all men rich in co-operative experience. We are grateful to them for coming here to

exchange views in order to arrive at mature conclusions in regard to the subject of the Conference in order that their conclusions may guide the cooperators and the promoters of cooperation in this region. They will also have the opportunity of studying the cooperative movement in Nepal though time would not permit them to do this in detail. However, I am sure, that the exchange of views between the experts and the local cooperators will be of mutual benefit.

Today the cooperative movement has a positive role to play in the work of national development. It is called upon to meet the needs of a fast changing economy and governments all over this region have found that cooperatives are the best means of implementing their schemes of national development. True national development would depend upon the degree of progress made by the small producer. The problems of the small producer can be solved best by the cooperative method. Therefore, it would be no exaggeration to say that national development depends upon the cooperative movement. To quote the words of the late Mr. G. De Soyza, an illustrious predecessor of mine, in the office of Commissioner of Cooperative Development of Ceylon, "Cooperation is a very adaptable instrument and it is the one economic method that applies in all circumstances". This is why it is fruitful for men of knowledge and experience to review from time to time the role of cooperatives in economic development. In this Conference, we propose to examine afresh the role of cooperatives in agricultural development, in order that cooperatives may be adapted to that role.

Nepal was chosen by us as the venue of the Conference as the study of the development of agricultural cooperation in this country in the wake of recent land reforms here would be useful to the cooperative movement in this region. Studying the needs of the movement from time to time and making conclusions drawn from it available to member-organisations is one of the very important duties of the International Cooperative Alliance.

The International Cooperative Alliance founded in 1895 is the world body of the Cooperative Movement. Its membership is spread over 60 countries and its affiliated organizations cater for 235 million primary society members who represent at least a thousand million persons. In order to give special attention to the needs of the cooperative movements in the Asian Region, the ICA started a Regional Office & Education Centre in New Delhi in 1960. It serves member-organizations in eleven countries ranging from Iran to Australia *viz.*, Iran, India, Pakistan, Ceylon, Malaysia,



Singapore, the Philippines, the Republic of Korea, Japan, Australia, and Papua-New Guinea. The Regional Office & Education Centre also serves the movements of two other countries although the ICA does not yet have any member-organizations in these countries. I refer to Thailand and Nepal. It is our fervent hope that this position will be rectified in due course.

We have so far held over sixty technical meetings in which nearly two thousand have participated. Some of them have been Experts' Conferences similar to this one; others have been Regional or National Seminars. We have also been responsible for several publications. These books will be displayed throughout the period of the Conference and we shall be happy to supply copies to anyone interested in procuring them. The Regional Office & Education Centre is also engaged in arranging technical assistance for the developing movements of the region from the developed movements and acts as a clearing house of trade information with a view to fostering international cooperative trade. We offer Fellowships to selected persons for the detailed study of special aspects of cooperative development such as member education. We issue an annotated bibliography of cooperative literature published in the Asian region every half year. We have Teachers' Exchange Programmes whereby teachers of cooperative colleges are afforded an opportunity of working for some time in cooperative colleges of other countries. This and much more is being done by us, but I shall not delay you with further details.

The presence of the Hon'ble Minister is a source of great encouragement to us and I am sure that it is equally encouraging to the cooperators of Nepal. It is a sure sign that the Government of His Majesty is convinced of the value of cooperation as a means of social and economic development.

Both the government and the cooperatives of a country have much in common. Both seek to do the same thing—render organised service in the interests of the whole community in place of the struggle for profit and domination.

In most of the countries of the South-East Asian region, the cooperative movement has been sponsored and fostered by the State. It was just as well, for without the State's initiative, there would have been no cooperative development in this Region. In order, however, to reap the full benefits of cooperative effort, it is necessary for cooperatives to come into their own as quickly as possible. The greater the degree of autonomy enjoyed by these

societies, the greater would be the degree of their voluntary participation in national development. As voluntary participation is a *sine qua non* for success in national development, governments would welcome the existence of a strong cooperative movement and would do everything to bring this about by gradually handing over the direction and control of cooperatives to the cooperators themselves so that cooperatives would function as voluntary and autonomous bodies democratically governed by their members and based on joint self-help for the solution of common economic problems.

By virtue of its federative structure, the cooperative movement can supplement the work of the State. It can even buttress it at the point where any State is weakest, *viz.*, at the village level. Thus, collaboration between the State and a voluntary and autonomous cooperative movement will be of mutual advantage.

Your presence here, Sir, is also a sure indication of the helpful attitude of His Majesty's Government towards the Cooperative Movement of Nepal. We on the part of the ICA will do all we can to help the growth of a sound cooperative movement in your country.

I wish to thank the Government of His Majesty for inviting the ICA and the AARRO to hold this Conference here and for making these excellent arrangements as well as providing us with the necessary facilities for holding it. In this connection, I wish to express my special gratitude to Mr. Bikram Shah, Registrar of Cooperative Societies, and his able lieutenants. Mr. M.R. Kaushal, Director of the AARRO will follow me with introductory remarks of his own and thereafter I wish to call upon you to be good enough to inaugurate this Conference.

Finally, I wish to express to all of you, Ladies and Gentlemen, our deepest thanks for sparing so much of your valuable time in the cause of Cooperation.

Introductory remarks on the activities of Afro-Asian Rural Reconstruction Organization by Mr. M.R. Kaushal, Director, Rural Cooperatives, AARRO, New Delhi.

Honourable Mr. Rudra Prasad Giri, Minister of Land Reform, His Majesty's Government of Nepal, Your Excellency Mr. Raj Bahadur, Ambassador for India, Your Excellencies, Mr. Rawal, Mr. Shah, Registrar of Cooperative Societies, Distinguished Participants and Ladies and Gentlemen :

On behalf of the Secretary-General, AARRO, and on my own behalf, I am very happy to extend to you all a very hearty welcome to this Conference on "The Role of Cooperatives in Agricultural Development" in the ancient and delightful city of Kathmandu. As a co-sponsor, the Afro-Asian Rural Reconstruction Organization (AARRO) is naturally very much interested in the deliberations and success of the Conference.

The distinguished experts have quite a lot of hard work to do during the six days. There is a very heavy agenda. I should not say anything on any item of the agenda which is going to be thoroughly discussed by all of us here. Therefore, whatever comments or suggestions I may have I would offer during the course of our meetings. I would, at present, wish to crave the indulgence of all of you to say a few words about the Organization I have the privilege of representing.

The status and functions of AARRO are broadly stated in a small brochure entitled 'INFORMATIVE PAMPHLET', copies of which are already with you. I hope you would find the brochure a good source of information regarding my Organization. It would not, therefore, be necessary for me to go into details. I would confine myself to some salient features only. In case some more information is needed by any of the distinguished participants, I would indeed be happy to be available for discussions etc. at any convenient time.

The Organization came into existence on an *ad hoc* basis on March 31, 1962. Its precise place, as an international organization was, however, established in August 1965 when an understanding was reached with the Food and Agriculture Organization of the

United Nations. A sound and collaborative relationship was established between AARRO and the FAO for mutual benefit. Following this, similar relationships were established with other organizations including the Agencies of the United Nations. This was necessary both for strengthening the organizational structure of the Organization as well as for avoiding duplication of efforts.

The participants, I am sure, would be glad to know that effective collaboration has existed between the International Cooperative Alliance and the AARRO almost since the beginning of the Organization. With the settlement of the permanent office of AARRO in New Delhi, the opportunities for practical collaboration with the ICA Regional Office & Education Centre for South-East Asia increased considerably. Therefore, since 1966 our two Secretariats have been fully collaborating with each other. Since recently we have started collaborating in executing joint projects also. The two organizations collaborated in a Study Project entitled "A Study on the Multipurpose Cooperatives in Ceylon". The field work of this project was done by Professor Jacen T. Hsieh, (Dean of the Faculty of Commerce, Nanyang University, Singapore) and the Study Report is expected to be published soon. The main purpose of the study was to learn from the Ceylonese experience with a view to adopting the practices elsewhere in the developing countries.

Another joint project with the ICA is the organization of this Conference. We are sure that this Conference will contribute to recommending ways and means through which cooperatives can play a more important role in accelerating the pace of agricultural development in our developing countries.

There are other organizations like : UNESCO, WHO, ILO, ECA, ECAFE, IFAP, OAU, Arab League etc. with which practical collaborations have been established and is growing. I need not elaborate on this point. Suffice it to state that AARRO is actively engaged in supplementing and complementing the work of various international organizations and is also operating joint projects with some of them while in few cases such joint projects are envisaged to be taken up in future. I might mention here that the United Nations Conference on Trade and Development (UNCTAD) has given to AARRO a Permanent Observer Status thus enabling it to closely associate with the Conference thereby to assist Afro-Asian countries insofar as the trade and development matters are concerned.

AARRO has also established four Regional Offices at Amman, Jordan for Middle-East ; Seoul, Republic of Korea for Far-East ; Accra, Ghana for the West Africa ; Addis Ababa, Ethiopia for East and Central Africa. The Regional Offices function under the Regional Representatives of AARRO. Broadly, these Offices : (i) look after the interests of AARRO in the area ; (ii) try to enrol new membership to the Organization from among the countries of the region who have not yet joined ; (iii) locate problems of the countries of the region and make suitable recommendations to the Head Office for the implementation of projects in the countries of the region ; (iv) assist in the execution of approved programmes including organizing seminars, workshops or conferences in the countries of the region ; (v) represent the Organization on national and international meetings, seminars, conferences etc. in the home country or the neighbouring countries as desired by the Head Office.

As I have said earlier, the objective of AARRO is to supplement the efforts made by the international expert agencies and the developed and developing countries. In precise terms it means that it acts as a catalytic agent and as an extension field agency at the international level. In the performance of its catalytic functions, the Organization attempts to identify the problems faced by a country or a group of countries comprising a contiguous region by making on-the-spot studies and surveys. This is accompanied by suggested remedies, both short and long-term, that might be applied. The organization also tries to take steps to assist the countries concerned to obtain the necessary technical and financial assistance from the international agencies and organizations, non-official and official, including the Agencies of the United Nations.

As an extension agency at the international level, AARRO endeavours to take the expert knowledge gained and available with the U.N. Agencies and others to grass roots in the Afro-Asian countries. Relevant knowledge and information is collected, sifted and adapted to the needs of the Afro-Asian farmers and disseminated through the member-governments. Efforts are also made to have a follow-up programme both for noting the results as well as for arranging feed-back to the expert agencies to enable them to make available additional information etc. required. In a general manner, this objective is also sought to be achieved through a regular quarterly publication entitled "RURAL RECONSTRUCTION" distributed free among all member-countries and among the interested international organizations and others.

The broad area of operations being rural reconstruction, the activities of the Organization, for the time being, cover, farm organizations, rural youth organizations, rural industries, including handicrafts; agricultural extension; rural cooperatives etc. The activities of the Organization during the past 3-4 years are detailed in the brochure (Part IV P. 8 onwards).

As would be seen, AARRO has been able to prepare surveys, studies and research papers in respect of farm organizations, community development programmes, international trade and rural cooperatives. In the field of youth activities, AARRO has started pilot projects with a view to finding out "as to how far the rural youth can be assisted, through self-help methods, to develop their skills and build their attitudes for productive purposes". Two such projects are underway in Amman, Jordan, while in Libya and Ghana (two in each case) such projects are likely to be started in the near future (the delay has been caused on account of political circumstances in these countries). A similar project has been taken up in Ethiopia recently (October 1969), while preparatory arrangements are in hand to launch similar projects in Iraq, Republic of Korea and Sierra Leone.

A major break-through has been made in the field of training and education of the Afro-Asians in various areas covered by rural development. AARRO set up in June 1967, its own Training Centre at Tokyo, Japan. This Centre known as "The Research and Education Centre of AARRO" (RECA) was established in collaboration with and with the active support and assistance of the Central Union of Agricultural Cooperatives, Tokyo, Japan, one of the distinguished members of AARRO. The Centre is to provide, entirely free of cost, training to Afro-Asian candidates in the field of rural community development and rural cooperatives. It would also provide facilities for research in these fields.

Under the auspices of RECA, 26 persons (17 Asians and 9 Africans), high-ranking officers, have received training, at the two courses, held in March-April, 1968 and June-July, 1969 respectively for Asian and African nations on "The Role of Agricultural Cooperatives in Developing Rural Economies". All the costs including international travel (both ways), board and lodging, tuition, study visits (10 days) were met from the budget of the Centre, thus making the training for the candidates almost completely free. I may state that for the present, it is necessary to hold separate courses for candidates from Asia and Africa on account of heavy travel costs involved.

Another regular training arrangement has been finalized in collaboration with the Government of the U.A.R. The training here would be mainly for African candidates. The first training course under this arrangement is scheduled to be held in May 1970. About fifteen candidates—senior government officers—are being invited for a three-weeks' course on "Planning for Rural Development" at Alexandria, U.A.R.

Training facilities in cooperatives, community development and small industries are also being provided to the AARRO sponsored candidates, at the institutions in India. Three persons from Iraq completed their training in Cooperation (Higher Diploma Course) during 1967. Four persons, 2 from Iraq and one each from Libya and Iran, successfully participated in the Orientation Course organized by the National Institute of Community Development, Hyderabad, during 1967. In the field of Small Industry, five persons completed their training at the II International Course at SIPDE, Hyderabad, during 1968, while eight attended the III International Course which concluded about two weeks ago (8.11.1969).

Another important activity of the Organization is to act as a clearing house of information. AARRO has been able to supply a number of useful publications, free of cost, to its members and eligible members and to others. A very significant project under this programme was the supply (free of cost) of a set of 204 useful technical publications on Tropical Agriculture to all the member-countries.

Lastly, I might also state that the Organization has, at present, 27 countries as its members, who themselves organized it, own it and operate it, without any assistance from any other source. The Organization functions through three organs namely : (1) The General Conference, in which every member-country is represented and which has the supreme authority ; (2) The Executive Committee, which is elected every three years, by the Conference and derives its authority from the Conference and the Constitution; and (3) The Secretariat, which under the direction of the Secretary-General, carries out the policies and programmes as directed by the Conference, Executive Committee and a Sub-Committee of Experts.

The distinguished participants, I hope, would kindly appreciate that AARRO has been able to perform some useful activities to assist the member-countries in the two continents while other useful

projects are in hand. It is indeed very encouraging for us to note that the relatively advanced members of the Organization like India, Japan, U.A.R. etc., have already started assisting the Organization effectively. The Organization has also been fortunate in securing the support and collaboration of eminent organizations like the FAO, ILO, WHO, ECA, IFAP, ICA and others. There is every reason to believe that this support and collaboration would continue to be more effectively available in the future as well.

In the end, Mr. Chairman, it is my honest duty to convey thanks, on behalf of the Secretary-General of AARRO, and on my own behalf, to the Hon'ble Minister of Land Reform, and through His Excellency to His Majesty's Government of Nepal for so kindly agreeing to play host to this Conference. We are sure that the Conference would make significant contribution in the field of agriculture and rural cooperatives. We do hope that the deliberations of the Conference would also be useful to Nepal.

Thank you.



## **AFRO-ASIAN RURAL RECONSTRUCTION ORGANIZATION**

THE AFRO-ASIAN RURAL RECONSTRUCTION ORGANIZATION (AARRO), founded on March 31, 1962, is owned and operated exclusively by the Afro-Asians themselves. Its main objective is to launch concrete and, wherever possible, coordinated action to reconstruct the economy of the rural people of Africa and Asia and to revitalize their social and cultural life. Its main role is to supplement and complement the efforts of the expert international organizations, including the Agencies of the United Nations, by acting as a Catalytic Agent and an International Extension Agency in the field of Rural Reconstruction.

The broad area of operations being Rural Reconstruction, the activities of AARRO, for the present, cover : Rural Cooperatives ; Rural Community Development ; Farmers' Professional Organizations including Rural Youth ; Rural-based Industries, including handicrafts.

The present membership consists of twenty-seven countries, ten from Africa and seventeen from Asia. A vast majority of the African and Asian countries can easily join AARRO as its full members. Each member-country pays an annual membership contribution which

forms the only source for financing the activities of the Organization.

The Organization functions through three organs, namely, (1) The AARRO General Conference, in which every member-country is represented and which has the supreme authority ; (2) The Executive Committee, which is elected, every three years, by the Conference ; and (3) The Secretariat (located at New Delhi, India) which, under the direction of the Secretary-General, carries out the policies and programmes as directed by the Conference and the Executive Committee.

To ensure that the true image of the Organization is constantly kept before the Afro-Asians, as well as the concerned international organizations and also that the member-countries remain assured of the services AARRO can render, four Regional Offices of AARRO have been established. They are located at Amman (Jordan) for Middle-East ; Seoul (Republic of Korea) for Far-East ; Addis Ababa (Ethiopia) for East and Central Africa ; and Accra (Ghana) for West Africa.

AARRO has established collaborative relationship with a number of international organizations, including the FAO, UNESCO, WHO, ILO, UNCTAD, ECA, ECAFE, ICA, IFAP, OAU, AFRASEC, ARAB LEAGUE, etc.