

# State of Agricultural Cooperatives in Asia

Daman Prakash



International Cooperative Alliance  
Regional Office for Asia and the Pacific

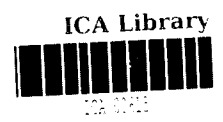
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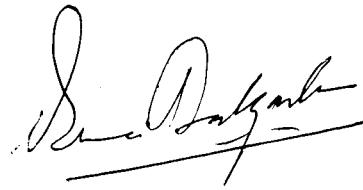
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**STATE OF AGRICULTURAL  
COOPERATIVES IN ASIA**

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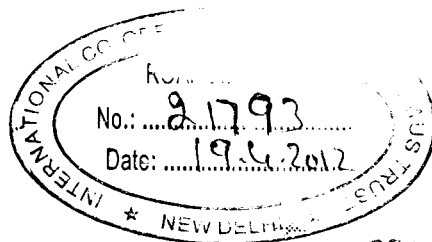


# State of Agricultural Cooperatives in Asia

An Overview, Characteristics and Development Issues Involved

**Daman Prakash**

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Agricultural Cooperative Management  
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**International Cooperative Alliance**  
Regional Office for Asia and the Pacific



**State of Agricultural Cooperatives in Asia**  
– An Overview, Characteristics and Development Issues Involved  
by Daman Prakash

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## Foreword

**A**gricultural cooperatives are widely prevalent institutions in rural Asia. Their contributions in food security efforts, upliftment of social and economic standards of farmers and to the national economies are very significant. Nearly 56% of the total population of rural Asia is covered under these institutions. They serve their farmer-members in many ways e.g., supply, marketing, credit, expert guidance, farm processing, insurance sectors and hence provide some elements of social and economic security to them. Although their spread in the Asia-Pacific Region is wide and broad, their management systems vary from country to country in the Region. There are outstanding examples of efficient management of these institutions such as in Japan, Korea and India while in some other countries they are still struggling to find the most appropriate modalities to strengthen and professionalise their management systems. Several factors are responsible for this variation e.g., lack of enlightened and professional managers, legislative defects in covering cooperative management, controls exercised by governments due to political compulsions, low level of capital mobilisation due to inherent weak financial conditions of their members, lack of guidance and technical support provided by governments, lack of marketing opportunities and market information network, to just name a few.

The present publication "State of Agricultural Cooperatives in Asia – An Overview, Characteristics and Development Issues Involved" written by my colleague at the ICA Regional Office for Asia and the Pacific, Dr Daman Prakash, Senior Consultant to our Agricultural Cooperatives Management Training Project for Asia, explains in detail the historical development of this Movement and the problems faced by these grassroots institutions. I am happy to acknowledge that Dr Prakash has put in a lot of hard work in the collection and systematic compilation of this material. The language used is lucid, simple and easy-to-understand. This publication could serve as an important reference material for our training programmes on agricultural cooperative management and will, no doubt, be an equally valuable resource material for cooperative scholars, managers and leaders of agricultural cooperative institutions in the Region. While writing this foreword to this publication I would only like to reiterate what our President Roberto Rodrigues had said: "Agricultural cooperatives have a particular role to play. They have two basic roles – to produce added value through their vertical structures and to protect the small farmers, who are key to economic democracy in most developing nations. To do this cooperatives must invest heavily in all areas of human resources – technical, managerial and commercial. Government must be seen only as partners that must regulate and supervise, but not lead and dominate the cooperatives."

While appreciating the efforts made by Dr Daman Prakash, I am also happy to note that we have been able to contribute to the literature on agricultural cooperatives through the publication of this useful and relevant material.

New Delhi,  
July 2000

**Robby Tulus**  
ICA Regional Director  
for Asia and the Pacific





# STATE OF AGRICULTURAL COOPERATIVES IN ASIA

## An Overview, Characteristics and Development Issues Involved

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### Preliminary

*Agricultural cooperatives have a particular role to play. They have two basic roles – to produce added value through their vertical structures and to protect the small farmers, who are the key to economic democracy in most developing nations. To do this cooperatives must invest heavily in all areas of human resources – technical, managerial, and commercial. Government must be seen only as partners that must regulate and supervise, but not lead and dominate the cooperatives.*

*– Roberto Rodrigues, President of the International Cooperative Alliance*

The Asia Pacific Region is characterised by a very high degree of diversity in its geographic, ethnic, religious and socio-economic situations. With five distinct sub-regions – Central Asia, West Asia, South-East Asia, South-Asia, Far-East and the Pacific – the region reflects different stages of economic growth. These economies may, broadly be classified into four kinds: [a] Developed Economies; [b] Developing Economies; [c] Economies in Transition; and [d] the Least-Developed Economies. Most of the countries have agrarian economies with small holders and low level of technology compounded by resource constraints.

Over the last 25 years, Asian and Pacific developing countries grew at an average annual rate of 6.5%. Compared with the average 4.5% for all developing countries. In general, countries throughout the region stabilised their economies, reducing fiscal deficits, improving their balance of payments and containing inflation rates. Major factors contributing to this overall growth performance include market-oriented policies aimed at enlarging private sector participation, enhancing competitiveness in the economic system, attracting foreign investment and participating to a greater extent in world trade. There is a greater convergence of policies followed by Asian countries than ever before.

Although the share of agriculture in the region's GDP has declined from around 30% in the mid-1980s to 22% in recent years, agriculture remains the driving economic force and major employer in many countries. Moreover, the Asian region is the world's fastest-growing im-

port market for agricultural commodities. The region's share of global agricultural imports has increased from 17% in the early 1980s to nearly 25% today; agricultural imports are increasing by around 6% per year, accounting for the bulk of the increase in global imports.

The positive results of market-oriented policies among the early reformers has encouraged several other countries to follow similar paths of economic and institutional reforms. The basic strategy is to reduce public sector dominance, liberalise markets and emphasise private sector participation. For instance, since July 1991, India has made considerable progress in liberalising the investment, trade and foreign exchange regimes. While agricultural subsidies for water, electricity and fertiliser still exist and trade policy remains biased against the sector, the government's direct involvement in agricultural activities is being reduced gradually.

### **Cooperative System**

The period following the end of the World War-I, was a period of boom and a buoyant economic condition prevailed. As a result, the period saw an expansion of cooperatives of all types particularly in the agricultural sector. One remarkable feature of these cooperatives was that these were mostly financed from within the Movement by way of shares and deposits from members as well as deposits from non-members; and very little came from the government. Another feature was that these were predominantly credit oriented.

The Cooperative Movement, which had its genesis in adversity, is based on some of the noblest values man could ever apply to business organisations. It seeks to apply morality to business, a business in which persons voluntarily join together on the basis of equality. It does not differentiate one person from another on the basis of their share holding in the cooperative venture. The democratic control, the voluntary and open membership, the desire to help each other and emphasis on all round development of the members are some of the basic Principles of Cooperation which reflect higher values of mankind.

Three kinds of cooperative systems have been operating in Asia: [a] State-sponsored – where cooperatives have been accepted and adopted as an instrument of economic planning and development by the State; [b] State-supported but member-based cooperative system – where the State creates conducive environment for cooperative growth through enabling policies and legislation; and [c] Autonomous and independent cooperative system consisting of member-based and member-controlled cooperatives that imbibe cooperative values and principles enunciated in the ICA Cooperative Identity Statement [ICIS] [see Annexure-I].

With the intensification of process of liberalisation and globalisation of national economies, cooperatives in most of the countries of Asia are passing through a phase of transition from a State-sponsored to a member-based and member-controlled cooperative system having full autonomy in their management and being effectively adapted to the market. In other words the transition focuses on development of member-centric and market-driven cooperatives.

Agricultural cooperative institutions, farmers' organisations and other farming interest groups which have been operating in various countries have begun to realise that due to

pressures of open market systems and other regulations being introduced by various world bodies and international agreements they have to improve their services and provide more and more of support to basic farmers. These institutions have, therefore, now to be more involved in delivering quality products which conform to the international demands. In the wake of new economic developments governments are shedding a lot of their responsibilities. Agricultural cooperatives and farmers' organisations will, naturally, have to take these services over. Their responsibilities are expanding. They have now to manage their affairs in such a way that they are able to survive in the market.

According to the ICA Cooperative Identity Statement adopted in 1995 "A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise." ... "Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others."

Some of the problems faced by agricultural cooperatives have been, among others, poor management, lack of capital resources, inadequate training, extension and education programmes, lack of communication and participation among members, feudalistic characteristics of society, unclear and inadequate government policies on the development of agricultural cooperatives, high fragmentation of land holdings, and weak linkages among the activities of the cooperatives e.g., production, credit, marketing etc. To overcome such problems, some of the measures taken by the governments and Movements have been: re-assessment and improvement of farm policies, human resource development through formal and informal training of members, development of commercial partnership and joint ventures with private enterprises, development of marketing and agro-processing, implementation of self-reliance projects, diversification of agricultural products including the development of export-oriented crops through contract farming, promotion of universal membership, and strengthening of legal framework of cooperatives.

Level of cooperative development in the region presents an interesting study. While there are rich, well-knit, enlightened and well-managed cooperative institutions in countries like Japan, there have been instances where cooperatives are still struggling to find their own level e.g., Bangladesh, Pakistan and others. In countries like India where cooperatives have been on the scene for over 100 years now, they have, owing to excessive government protection and interference, lost communication with the basic members. The participation level of members with their cooperatives has weakened. The management of their own cooperatives has slipped out of members' control. The pressure and presence of the government is rather heavy on the finances, management and control of these cooperatives. There are however, some excellent examples of successful and self-propelled and member-driven agricultural cooperatives in India, e.g., Sugar and Milk, which have instilled satisfaction and economic strength among the members. Cooperative institutions, however, have been recognised in many of the developing countries as strong and more reliable institutions through which economic development programmes have been and can be brought to the community.

Agriculture still continues to be the most important economic activity in almost all countries of the Asia-Pacific Region contributing to the highest percentage of labourforce and the GNP. Agriculture is still the major source of livelihood for majority of the population in the Region. However, agricultural productivity is subject to violent fluctuations caused by its heavy dependence on monsoon and damages caused by natural calamities. Measures taken for prevention of damages to agricultural crops are inadequate and systems for disaster compensation are generally ineffective and *ad hoc*.

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*“Formation and development of cooperatives and strengthening of ideological objectives though their working is closely associated with psychological conditions and attitude of those of whom they are composed and their leadership. It is a matter of common knowledge and belief that under identical conditions, one cooperative succeeds while another fails. Successful society leads towards the destination while the failure distances away the objectives. Dedicated leaders and enlightened members are the flag-bearers of long-term objectives.”*

## Chapter-I

### An Introduction to Agricultural Cooperatives in Asia

**A**gricultural cooperatives are functioning, in one form or another, in almost all the countries of the Asia-Pacific Region. The spectrum of agricultural cooperatives has many hues and forms. These are available in such forms as: formal and informal farmers' organisations, production groups, producers' cooperatives, collectives, marketing cooperatives, agricultural credit cooperatives, single-purpose agricultural cooperatives, multipurpose and multi-function agricultural cooperatives, etc. The marketing of agricultural produce as well as supply of inputs is generally taken up by the popularly known 'marketing cooperative societies. Agricultural cooperatives are available at the primary level, their district, provincial and national federations.

The cooperative activity started mostly with government assistance and initiatives or as a result of development projects sponsored by bilateral or multilateral agencies. Each country has evolved its own pattern for organisational structure and functioning of these cooperatives. One thing common to all, however, is the existence of small and marginal farmers depending entirely for their livelihood on the meagre incomes from their smallholdings. The present role of cooperatives in providing a suitable infra-structure which can help add value to primary produce, except in a few cases, where agro-processing has been undertaken with positive results, is far from satisfactory.

The success spectrum within the Cooperative Movements in the region varies from country to country. There are still managerial problems interlaced with lack of membership participation in the business affairs. There is a heavy participation and administrative influence of governments in the functioning of these cooperatives due to excessive pressure on these institutions to serve state policies and programmes. As a result, cooperative institutions in many Asian countries are more akin to the policies of the government rather than catering to the needs and requirements of their basic constituents i.e., the members. It has also been observed that in a majority of cases cooperatives do not actually involve the members in decision-making. Cooperative appear to be "cooperative-centred" rather than their being "member-centred".

Primary-level agricultural cooperatives suffer from various weaknesses and deficiencies which stem from their small size and low membership. Because of its small size the primary society is: unable to do sizeable business to earn profit; can hardly diversify its business;

cannot employ paid professional staff to look after its business; and, it is unable to meet its obligatory charges out of its revenue income and, consequently, suffers persistent losses.

The staff and board members of cooperatives also lack managerial skills mainly due to inadequate training support available within the Movements. Due to limited resources at the command of primary and secondary level cooperatives, it has been difficult for them to sponsor their staff for training at higher level training institutions even within the country or abroad. The management leaders have very little opportunities to interact with their counterparts in other countries. Their understanding and appreciation of cooperative operations remains limited to their own home situations. The need is to expand their horizons of knowledge and understanding to improve the quality of management of their own cooperative institutions. The ICA has been providing such opportunities in a limited way to some selected managers and policy-makers through its own programmes. Such opportunities and exposures are considered absolutely essential if the staff and board members are to play effective and fruitful roles in the business activities of their cooperatives.

In spite of the drawbacks and difficulties faced by them, the cooperatives are the best-suited institutions for agricultural development in the Asian region. To a great extent they are indispensable for accelerating the development in general and agriculture in particular. The remedy lies in streamlining their activities in a manner in which they could increase their own resources and improve their technical and managerial capabilities to safeguard the interests of their members. Successful examples of cooperatives that have taken such initiatives are not lacking. Such streamlining would be possible only if the leadership responsible for cooperative promotion and development and for managing their day-to-day operations is sensitive to the needs and aspirations of the farmers. Of special importance to cooperative functioning is the leadership provided by managerial and technical personnel competent to ensure maximum economic advantages to the producers and to ensure that the cooperatives are member-centred.

#### **Agricultural Cooperatives: Roles they Play**

Agricultural cooperatives play a very important role touching almost every aspect of the human life. In the agricultural sector, cooperatives play a significant role in the disbursement of credit, manufacture and distribution of fertiliser and other inputs, marketing and agro-processing and provide significant support for increasing agricultural production and productivity. When the agricultural cooperatives deal with the credit, they are concerned with the household incomes and its expenditure by the farmers. When the agricultural cooperatives deal with the supply of agricultural inputs, their main concern remains the nutrition for the population through foodgrain production. When the agricultural cooperatives deal with the plant protection, their concern remains for the health of the plant, health of the consumer i.e., the population. Even the animal health aspect is taken care since fodder is another important ingredient in crop production. Since the agricultural cooperatives deal with the chemicals in the form of fertilisers and pesticides, they are also concerned with the environmental and ecological problems. Cooperatives in general are concerned

with the education and training of their members; thus not only upgrading their skills but also educating them on various facets of life including Cooperation. As the cooperatives deal with the common needs, through mutual efforts, cooperatives also help in knitting the fabric of the society.

Agricultural cooperatives provide all types of economic and social services to their members. They demand effective, enlightened and skilled leaders. They need initiatives and services to sustain the interests of their members through the provision of education, training, guidance, extension and farm inputs, farm credit and marketing opportunities. They have to be run on democratic lines. They operate within the framework of national guidelines, but at the same time fulfil the demands of domestic and international markets. Agricultural cooperatives have no reason to be afraid of the open market pressures if their members remain united and respond to the needs of the market. The unity of members is the outstanding strength of the cooperative business.

### **Management of Agricultural Cooperatives**

It cannot be denied that agro-processing is a critical sector that deals with the most basic need of people i.e., food. And we also know that modern consumers of today are very particular about food items they choose and pick from shelves of their stores or supermarkets. It is thus incumbent on the Cooperative Movement to enhance their involvement in this important sector. It is so because it happens at a time when the Asia crisis continues to linger in the Asia Pacific region, but has also spilled to countries such as Brazil that is now being inflicted with the economic flu. Just imagine that over the last 30 years, Asia achieved the single greatest spurt of economic growth in the history of mankind. But overnight, the gloss has worn off the miracle.

Notwithstanding, cooperative activity and the cooperative way of doing business have stood the test of time. There have been tremendous successes and best practices that can be showcased, although one must admit that these successes came at the cost of painful learning from past failures too. Cooperative enterprises, all over the world, have once again proved that services to members and its impact on local communities could be far reaching if leaders managed to balance the advocacy as well as the service-provider roles of the cooperative enterprises. Cooperatives can do business as effectively as any private or public company, but have the advantage of providing the ultimate benefits to members and its communities, not just to a handful of shareholders. While private enterprises may be seen as being more dynamic and flashy, they lack something which the cooperative enterprises cherish most – service to members, and thereby, benefit to the local community. The philosophy of doing business based on the Principles of Cooperation is essentially what allows ordinary people to enter mainstream business with a human face. It does not pursue the maximisation of profit by always try to satisfy the social and economic needs of the members and their immediate community first and foremost.

So, the challenges before cooperatives are enormous because cooperatives must be better than ordinary business enterprises. These challenges can only be met when there are dedi-

cated leaders, well-informed leaders, well-trained leaders - not only politically-motivated leaders – but leaders who can manage the cooperative business in a professional and efficient way. There is, as such, a strong need for the development of management leaders in all sectors – consumer sector, agricultural sectors and all other sectors. There is need for creating facilities and programmes for management leadership development in the Region so that cooperative business can perform and overcome the challenges emanating from profit-oriented private enterprises.

The cooperative management has to cater to the dual objective of a cooperative - its commercial operations as well as welfare of its members. The driving force in the cooperative societies is not the profit motive but the economic welfare of its members. Moreover, its management has to be subjected to the democratic control. The cooperative management structure generally consists of: Members of the cooperative; Board of Directors [or a Managing Committee]; and Paid employees. The management can succeed only if these three bodies work in unison with proper appreciation of each other's roles and aspirations. The measure of success of cooperative management depends on: Vigilance of the members over the Board of Directors; Successful participation of the members in the cooperative democracy and business operations; and Cordial relationship between the members and the Board on the one hand, and, between the Board and paid employees on the other.

The ultimate objectives of the cooperatives, be it the financial viability or the welfare of its members, depend on the ability of its management to compete with other similar institutions in the private as well as public sectors. The management, therefore, will have to constantly strive for: i] Improving the performance and efficiency of the cooperative institutions, and thus its viability; and ii] Render the service motive principle effectively by keeping abreast with the current developments in all areas, whether relating to technology, financial management, marketing or personnel management, etc. This could be achieved only through a dedicated and well-trained professional management. Besides the professional management, it is also necessary to educate its members in the Principles of Cooperation and the importance of professional management because it is only then that they will be able to appreciate the need for professional management, and will be able to respect their sensibilities and respond to their requirements and aspirations.

### **Financial Inputs vis-à-vis Services Rendered**

On the canvas of Asia there are colours of outstanding achievements of agricultural cooperatives and shades and hues of sincere efforts and hard struggles of farmer-members in making the best out of their agricultural cooperative institutions. Judged by indicators like coverage of farming population, extent of business turnover, variety of services rendered, efficiency of management and impact on the socio-economic conditions of members, some countries in the Asian region have shown examples of outstanding achievements while several others are trying hard to come upto some reasonable levels of recognition. A majority of countries in the region are highly agricultural-oriented economies. There is a plenty of land, natural and human resources but there is a painful lack of capital which forbids an extensive and optimal exploitation of agriculture. This is typical of a majority of Asian countries.



Through the national economic development plans serious efforts have been made to provide momentum to these cooperative institutions which happen to be the principal operators of agricultural industry. Enormous amounts of money have been invested in this sector by the government. Serious efforts have been made by governments and leaders in achieving a maximum possible participation of farmer-members in their agricultural cooperative institutions in order not only to increase agricultural production and contribute to national foodstocks but also to provide the most reasonable prices for their produce. Efforts are also made by all concerned to minimise losses in production, more particularly in post-harvest phases, and also to bring down the cost of production. At the same time, efforts are made to mechanise the agricultural operations in order to achieve higher yields. Provisions of credit, farm extension, warehousing, marketing and agro-processing falls within the prime jurisdiction of agricultural cooperative institutions.

### **Small Farmers, Family Farms and Agricultural Cooperatives**



A majority of agricultural cooperatives are the institutions of small farmers. Agriculture can be developed only through strengthening the basic unit of production. In a majority of Asian countries this basic unit is the family farm where tillers of the soil are the owners of the land and where farm economy is closely interwoven with that of the family. Such family farms which are small in size and millions in number can be strengthened only by bringing them into the fold of cooperative organisations which can provide all the services they need. Cooperatives derive their real strength from the members of such family farms to the extent they meet their individual needs in the field of credit, marketing and supplies adequately and in time.

Looking at the spread of agricultural cooperatives it is found that the manner in which cooperatives are organised, the policies they pursue and the procedures they follow in offering various services are not fully oriented to promote and strengthen the interests of the members. There are wide gaps between them. Obviously they do not derive their vitality from the members.

### **Disparities and Similarities**

However, it is not so much the disparities as the number of similarities in the Cooperative Movement in the region which attract attention. There is, for instance, a clear similarity in the approach of governments towards the Cooperative Movements in their respective countries. Everyone, however, believes that cooperatives are the best and most logical instruments of rural and agricultural development. In the absence of a strong participation of members in their agricultural cooperatives and a relatively low understanding and appreciation of their own roles as owners of the cooperatives, in a majority of countries, members have allowed the State to have a greater say in the operations, administration and management of cooperatives. The State has justified this 'greater say' because it has participated in a big way in financing the agricultural cooperatives – by way of participation in the share capital, providing agricultural cooperatives with concessions and exemptions, giving them monopolistic rights, giving them personnel support etc. In addition to this, governments in

most of the countries have to themselves rather stronger and greater legal powers and administrative infrastructure through the cooperative departments which tend to outshine the importance, relevance and significance of ordinary members.

The entire Cooperative Movement in India has remained in the hands of the government mainly because of the substantial share capital participation by the government. The cooperatives must come out of this stranglehold which is possible only if they regularly retire the share capital of the government and the members become their own masters. This awareness seems to be lacking at present and can be brought about only through proper education and training. There is also a need to restrict the government shareholding and such a restriction should be imposed under the law, if necessary.

### **Best Instruments of Rural and Agricultural Development**

There seem to be no two opinions in the region about the cooperatives being the best instruments of rural and agricultural development. As far back as 1928, the Royal Commission on Agriculture in India had observed: "If Cooperation fails, there will fail the best hope of rural India." In the post-Independence period, the first five-year plan recognised Cooperation as an "instrument of planned economic action in democracy". This policy finds resonance persistently in all the successive development plans. Even in Bangladesh and the Philippines, where the Cooperative Movements are struggling hard for survival, the approach of the government is very positive. It is observed in the study of Cooperative Movement in Bangladesh by COPAC that 'the cooperative is seen as a vital institutional means of stimulating development with equity'. The Cooperative Law of 1973 in the Philippines had declared the 'policy of the State to foster the creation and growth of cooperatives as a means of increasing the income and purchasing power of the low-income sector of population'. Its medium-term development plan 1987-92 had also stated "one of the critically important institutional reforms is the strengthening of farmers' organisations particularly the cooperatives". Similarly the Constitution of Indonesia, [Article 33], provides for cooperatives as a means towards the attainment of economic and social order. Even the Republic of China which had made the Great Leap Forward from agricultural producers' cooperatives to fully socialistic communes, has since reverted to the system of agricultural cooperatives. This uniformly favourable approach of the government has been helpful in the growth of cooperative institutions.

Inadequacy of government recognition of the Cooperative Movement and the resultant lack of commitment displayed by the authorities are principally due to the fact that the Movement has not displayed sufficient dynamism to stimulate and influence government thinking. In order to eliminate the weaknesses and also to develop the agricultural cooperatives as a vibrant people's organisation in the rural sector, the entire agricultural cooperative system should undergo fundamental structural changes where the focus should be the strengthening of the primary societies. The state recognition of the agricultural cooperative system as a vehicle of rural development supplemented by statutory and financial back-up should be forthcoming if the cooperatives are called upon to accomplish the tasks. The bureaucratic controls and interventions in the system should be designed as facilitating

exercises. It should not circumscribe the freedom of the Movement or the supremacy of the membership. Action should, therefore, be directed at empowering people at the micro-level by equipping them with the needed skills, experience, resources and power so that this institution could be transformed into a strong self-managed people's organisation which could progressively replace the paternalism demonstrated by the bureaucracy.

### **Recent Trends of Reorganisation, Consolidation and Diversification**

The Cooperative Movements in the region present similarity in the structure and business parameters as well. Trends towards the reduction in the number of cooperatives and diversification of their business operations which had emerged in Europe in the '60s is catching on fast in the Asian region as well. In India, for instance, the number of agricultural credit cooperatives has come down. They have gradually become multi-function institutions. In Japan the number of agricultural cooperatives has come down from 112,050 units in 1960-61 to just 1,400 in 1998 through a process of well-planned process of amalgamation of cooperatives. In the Republic of Korea also the same trend is prevalent. In Sri Lanka the number of all types of agricultural cooperatives came down from 11,061 in 1968-69 to only 330 in 1998. While the process of amalgamation is continuing, the policy to develop cooperatives as multi-functional units is also picking up. The societies which were earlier doing credit business only, are now being encouraged to provide all the services needed by the farmers from a single window. The single commodity cooperatives also now tend to provide a variety of services required in relation to the production, marketing, storage and processing of that commodity. It can be anticipated that this healthy trend would continue both in the interest of the cooperatives and their members.

The 'guidance' activity being undertaken by the agricultural cooperatives in Japan and Korea in particular cannot escape the attention of cooperative leaders in the rest of the region. Cooperatives are giving guidance not only in the farm sector but also in various aspects of social life of the members and their families. One comes across many such instances in other countries as well. Cooperatives in some states in India, especially the sugar, spinning and dairy cooperatives, have since long been undertaking activities touching the economic as well as social life of the community. The extension services provided by the IFFCO – the Indian Farmers' Fertiliser Cooperative Limited – is an outstanding example of providing on-the-spot and persistent farm guidance services to farmers aiming at enhancing the farm production and consumption of the material.

### **Regional Review of Recent Developments**

Since the establishment of the Regional Office for Asia and the Pacific of the International Cooperative Alliance [ICA] in 1960 in India, steady contacts with all kinds of cooperative institutions in the region were maintained. Through the various organs of the Regional Office, particularly the ICA Regional Assembly, and the Regional Committee on Agriculture trends in the development of agricultural cooperatives were observed. The regional committee meets frequently and takes note of the achievements and problems of agricultural cooperatives in the region. The committee, which is a specialised organ of the ICA Regional Assembly for Asia-Pacific, has the following objectives and functions:

The overall aim of the Committee is: to promote the development of sound and effective agricultural cooperation and to develop appropriate policies and programmes to protect and promote the interests of farmers. The principal functions of the Committee are: to review periodically the progress made in the field of agricultural cooperation and to initiate necessary action; to recommend policies and common lines of action in the field and to initiate implementation; to identify areas for training, research and technical assistance; to make recommendations and take steps for improving managerial competence and operational efficiency of agricultural cooperatives; to promote the systematic dissemination of information and the exchange of experiences; to suggest and initiate programmes of member activities and measures for developing active participation of members in the management of agricultural cooperatives at the primary level; and to coordinate and collaborate with the ICA global agricultural committee, other regional and international organisations concerned with agricultural cooperatives development, etc.

From out of world's total cooperative population of 850 million in the ICA fold nearly 580 million (68%) is from Asia-Pacific Region. Major Cooperative Movements in the Region are India (22.7%), China (20.7%), Japan (7.5%) and Indonesia (4.6%) from the global cooperative population point of view. The total number of cooperative organisations in the ICA membership on the global level is 230 (including 7 international cooperative organisations). In the Asia-Pacific Region itself there are 85 organisations (37%). Among the various forms of cooperatives in the world, agricultural cooperatives are most widely present and spread. Out of a total of 778,163 primary cooperatives of all types within the membership of the ICA ROAP in 1993, there were 285,847 agricultural cooperatives (36.7%) in the Region.

It has been found that during the last 40 years agricultural cooperatives tried to meet the aspirations of their members as also of their respective governments. A tremendous diversification in the character and operations of agricultural cooperatives had taken place. Disbursement of agricultural credit was not the only business. They have been expanding their business interests as well as bringing more and more people under their wings. Some of the outstanding developments are: setting up of a variety of agro-based and agro-processing cooperatives e.g., sugar cooperatives, milk cooperatives, fertiliser production cooperatives, spinning mills, oilseeds cooperatives; agricultural cooperative marketing federations; forestry cooperatives; a variety of agricultural credit and financing institutions; amalgamation of primary cooperatives into larger and more economically-viable cooperatives; lift irrigation cooperatives; rural electrification cooperatives etc. Many agricultural cooperatives have responded well to the needs of the community and established several social and economic institutions and services which provide employment, additional income generating opportunities and proliferation of technology.

Also were observed some of the adverse developments in the agricultural cooperative sector e.g., continuing high overdues, marketing and warehousing limitations, underutilisation of waste material for productive purposes, inadequate and reasonable price returns to the producers, inadequate financing coupled with complicated lending procedures, complicated import/export procedures, inadequacy of trained personnel, excessive controls in various forms on cooperatives by the State, ineffective pollution control measures by the industrial cooperatives etc. etc.

The process of transition has impacted the role perception of cooperatives. Emerging trend, in this context, within the cooperatives and the government is that cooperatives will continue to play a meaningful role in the spheres of agriculture and rural development, consumer protection and social sector development. In the field of poverty alleviation too, cooperatives may provide effective institutional support by organising the poor on self-help basis. Important functional areas that could be visualised for cooperatives in a globalised and liberalised economy may be as follows: [a] Building infrastructure for efficient delivery of products and services to their members; [b] Developing management and entrepreneurial capabilities of members and their leaders; and [c] Mobilisation of Resources.

In a way the most formidable challenge before agricultural cooperatives in Asia lies in evolving a mutually acceptable, but balanced framework for interacting with the government. If there is a large number of rural cooperatives in Asia today it is due to the support and role of the governments, but if these cooperatives have not been able to reach their full potential, that is also due to the role of the governments. Some practical arrangements will have to be devised and put into practice, if only to pave a way for orderly growth and development of viable, democratic and performing rural cooperatives.

But the cooperatives should not expect any preferential treatment at the level of the government to perform their role in the above mentioned functional areas. Besides they are also expected to compete well in the market in providing services to their members in a cost-effective manner to prove their efficacy and relevance. In a nutshell, the real challenge before cooperative managers and board members is how to synergise members' needs with market effectively to ensure the sustainability of cooperative enterprise in a competitive environment. Inert enterprises may wither away. Another implication of this challenge is the possibility of entrapment of cooperatives in the modes and practices of management followed by the private sector. Therefore, cooperatives need to evolve their own management pattern that enable them to preserve and protect their identity at the market place.

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*"Members and others come in frequent contact with cooperatives. This provides valuable opportunity to cooperatives to convey to the individuals the objectives of cooperatives to motivate them to contribute their mite to achieve them. A cooperative symbolises the cooperative spirit. It should have radiating effect to make people understand the long-term objectives."*

## Chapter-II

### An Overview on the State of Agricultural Cooperatives in Asia

The following is the compilation of information from the available data on agricultural cooperatives in various countries of the region. It is seen that the development process of this sector is not uniform and is based on the national needs and traditions due to historical reasons and government priorities.

01 **Bangladesh** : Agriculture is the main occupation of the people employing 63.2% of the labourforce. This sector directly contributes around 32% to the GDP. Rice, wheat, jute, sugarcane, tobacco, oilseeds, pulses and potatoes are the principal crops. 7 million bales of superior quality jute is produced annually, 75% of the export earning comes from raw jute and jute manufactures. About 80-85% of the population directly or indirectly depends on agriculture. Agriculture sector needs extensive farm credit. The cooperative credit structure in the country comprises of three-tier system with Bangladesh Samabaya [Cooperative] Bank Limited as the apex institution. Central cooperative banks at the intermediate level and the primary cooperatives at the village level help meet the credit requirements. The three-tier system is called the general/traditional cooperative system, while the other two-tier system is known as BARD/TCCA cooperative system.

Agricultural cooperatives in Bangladesh stand divided into two parallel structures i.e., the traditional cooperatives [numbering 40,678] headed by the Bangladesh National Cooperative Union following a three-tier structure; and among farmers' cooperatives [numbering 103,424] run on the pattern promoted by the Bangladesh Academy for Rural Development [BARD]. Both the types of cooperatives serve the same target groups and have created the problem of overdues on the one hand and inadequacy of loans on the other.

The apex organisation of the traditional cooperatives is the Bangladesh National Cooperative Union which also serves as the umbrella organisation of the Cooperative Movement. The BNCU is a member of the ICA. The traditional cooperatives, numbering 468 are serviced by the Bangladesh Samabaya Bank through the central cooperative banks numbering 72, and the 51 Thana central cooperative associations. The traditional cooperatives also include 13 sugarcane growers' cooperatives, 30 central level multipurpose cooperatives, 46 land mortgage banks, 2 fisheries cooperatives, 10 urban cooperative banks, 152 primary level multipurpose cooperatives, and others. The BARD cooperatives are linked to the 449

Thana Central Cooperative Associations [TCCA] and the Krishi Samabaya Samities [KSSs] [64,866]. Both these cooperative structures cover only 15% of the total agricultural credit requirements in the country and the rest is met by the cooperative banks, Grameen Banks and other private operators. Agricultural cooperatives cover about 25% of irrigation services, 25% of fertilisers, 20% of seeds, 20% of pesticides and 40% of agricultural machinery and equipment required by the farmers.

The problems faced by the Movement are many. To name a few these have been: Lack of cooperation and coordination between the two types of cooperatives, and among the apex/secondary/primary cooperatives within each type for rendering effective services to the member-farmers; Short duration of the boards of directors – one year only; Interference and administrative control by the cooperative department; Lack of managerial skills; and Small-size and low membership in primary societies making them weaker economic units.

02 **China** : Agriculture occupies a dominant place in the economy. Main crops of China include rice, wheat, corn, soybeans, tubers, oil-seeds, industrial crops etc. The country's total grain output in 1995 was 466.6 million tons, an increase of 4.5% over 1994 production. 80% of the production is of cereal crops and others represent the remaining 20%.

The Cooperative Movement, first started in China in early 20th century, continues to progress under the All-China Federation of Supply and Marketing Cooperatives. The first cooperative was organised in 1918 followed by agricultural marketing cooperatives in cotton growing regions. Consumer cooperatives were formed in the 1920s and the first Cooperative Law was promulgated in 1935. In 1949, after the founding of the Peoples Republic of China, supply and marketing cooperatives were set up in early 1950s to assist the farmers with their input supply and output marketing and to meet their credit requirements.

The supply and marketing cooperatives of China follow a four tier-structure. 33,601 grass-root level supply and marketing cooperatives federate themselves into 2,300 county level cooperatives, which, in turn, are affiliated to the 28 SMCs at municipal and provincial levels. All the SMCs are federated into the All-China Federation of Supply and Marketing Cooperatives [ACFSMC]. The ACFSMC was formed in 1954 and became a member of the ICA in 1985. As the representative national apex of the Cooperative Movement, the ACFSMC is responsible for the cooperative reform programme, development strategy, policy coordination, management and protection of interests of SMCs. The ACFSMC coordinates and harmonises actively the relations between the SMCs and other government departments and helps the SMCs across the country to promote foreign trade and technical exchanges with foreign countries. In 1995 the government proposed the reform task on Deepening the Reform of Supply and Marketing Cooperatives. This reform meets the requirements of socialistic market economy and new situation of rural economy and provides the service for agriculture, rural areas and peasants. The main measures of supply and marketing reform are as follows: [a] Developing the primary supply and marketing cooperatives; [b] Actively participating and promoting the industrialisation of agricultural production; and [c] Managing supply and marketing cooperatives' subordinate enterprises and strengthening the alliance of and cooperation among enterprises.

The SMCs boast an extensive network of 700,000 business units, with a membership of 80%

of the Chinese farmers. 0.16 billion farmer-member households as shareholders with a total capital base of 10 billion Yuan. The ACFSMC has more than 16,392 industrial enterprises for value addition purposes and about a million employees with a total output of 83.5 billion yuan. 80% of output value comes from agro-processing.

**03 India :** The Cooperative Movement in India is one of the oldest in the region and the largest in the world in terms of number of members and cooperative institutions. Starting as a credit movement in 1904, it has now branched off into several specialised sectors such as marketing, international trade, agro-processing, dairy, fertiliser production and supply, production of heavy machinery, housing, consumer, fisheries etc. Agriculture is the strongest segment of the cooperative sector. During 1998, the total number of cooperatives in the country was around 504,000, with a membership of 209.1 million [agricultural cooperatives 137 million – 65%]; share capital of Rs 178 billion, and working capital of Rs 227 billion. Cooperatives cover 99.5% of all villages in the country and rural household coverage of 67%.

Most of the cooperatives are vertically integrated through their respective specialised federations or unions at the district, state and national levels. Twenty-one national level specialised federations are members of the National Cooperative Union of India [NCUI] [established 1929] which is the spokesman and umbrella organisation of the entire Cooperative Movement in the country and also has membership within the ICA. Primary cooperatives are affiliated to the district level unions / federations-2,572, which, in turn, are federated into 361 State level unions / federations.

The rural development banking system is organised into two structures responding respectively to short-term financing and long-term investment needs in the area of agricultural and rural development. In 1996, the rural development banking system had a total of 110.4 million members. It had accumulated reserves of \$ 1.2 billion and share capital of \$ 1.2 billion. It had a 50% share of the farm credit market. In contrast to the urban banking cooperatives which make up India's third category of cooperative banks, rural cooperative banks have historically been largely financed by the State. The structure of rural credit cooperatives in India was established and developed in the early 20th century in line with Raiffeisen principles. Today, it is the rural cooperative structure that leads India's Cooperative Movement. Two components of the rural credit banking movement receive considerable state aid. As such, whereas 40% of the financing for short-term credit comes from annual government advances, the government provides 90% of the financing for the long-term investment credit by rural development banks which are not savings institutions. Indeed, the government holds 15% of the primary cooperatives' equity, 19% of the district cooperative banks' equity, 10% of the State banks' equity, and 13% of rural development banks' equity. Although the government only had an advisory role in the beginning of the agricultural cooperative banks, it has come to be the cooperative banking structure's main funding body.

Agro-processing activities are undertaken by 320 cooperative sugar factories covering 60.5% of sugar produced in the country [15.5 million tons in 1998-99], 87,755 dairy cooperatives federating themselves into unions, 142 oilseed cooperatives, rubber, horticultural cooperatives and others such as rice and other mills. India now happens to be the world's largest



producer of liquid milk [+72 million tons in 1997-98] - mainly due to work done by dairy cooperatives. Value-adding cooperatives are agro-processing units providing infrastructure for the benefit of farmers. The principal segments of these are: sugar cooperatives, dairy cooperative, rubber cooperatives, oilseeds cooperatives, horticultural cooperatives and fertiliser cooperatives.

India is the fourth largest producer of nitrogenous fertiliser. There are at present 57 fertiliser units manufacturing fertiliser. The installed capacity of "N" has gone up to 9.18 million tons during 1994-95. Fertiliser is distributed through 2.3 million sale points out of which 31% are cooperatives, and 69% private sale points.

The cooperative education and staff training structure in the country is most extensive and widespread – in fact, it is the largest education and training network in the world. There is a National Cooperative Council for Training of the NCUI under which a national level management development institute, 22 provincial level institutes of management and about 70 regional cooperative training centres function. In addition, a national level member education programme is conducted by the Union through the state cooperative unions.

**04 Indonesia :** Agricultural cooperatives in Indonesia are organised in a three-tier structure. The multipurpose cooperatives [KUDs] at the primary level, which are federated into the PUSKUD at the provincial level and these, are affiliated to INKUD at the national level. There are at present 9,064 KUDs and 35,861 other types of cooperatives in Indonesia. The KUD is characterised by its multipurpose business with farmers, fishermen and handicraftsmen as its members. Most activities are anchored on agriculture. The main functions of KUDs are: [a] Distribution of farm production inputs and consumer goods; and [b] Provision of credit and collection, processing and marketing of produce of members.

KUDs have a membership of 13 million and non-KUDs have a membership of 12.6 million. Main objectives of the KUDs were to consolidate the people, consolidate and rationalise land resources for agricultural production and to provide means of incomes to the people and to use them to maintain national food stocks, mainly rice. Provincial level cooperatives have been formed by the primaries and the provincial level federations have formed the national federation.

Though the KUDs function on a multipurpose basis, their organisational strength is weak both in financial and business terms. Due to weak structural and financial link-up between the KUD, PUSKUD and INKUD, the cooperatives are not able to compete with private traders. There is very little active participation by members. KUDs lack suitable infrastructure for marketing, storage and processing and other value-adding activities. Other supportive services like member education, farm guidance and staff training are very inadequate. Government training facilities are available for cooperative employees through its network of 27 provincial level cooperative training centres and one national level cooperative training centre. Due to the recent economic crises and political changes, the role of the KUD has come under a close scrutiny. Their objectives and activities are being readjusted.

The government as well as the Dewan Koperasi Indonesia [DEKOPIN], the national apex of the Indonesian Cooperative Movement, and a member of the ICA, share member education

and extension services. Private foundations and academies provide formal education in cooperatives. There is an Institute of Cooperative Management [IKOPIN] at the national level and eight cooperative academies in the country.

The National Federation of Rural Cooperatives [INKUD] is a national cooperative organisation of rural cooperatives in Indonesia. It represents about 9,000 KUDs with a total membership of 13.4 million households. Its principal business functions are food trading, financial management, planning and development for rural cooperatives, procurement and distribution of cloves, development and operation of agro-industrial units, forestry and horticulture activities. In the agro-industry sector, the INKUD deals with palm oil plantations in Sumatra and handling and processing of coffee, rattan, cocoa and vanilla. It also handles procurement of dried cassava and its export.

In addition to the KUD structure, the milk cooperatives have made significant contribution by way of procurement, handling and distribution of milk and milk products. The national apex of the dairy sector, the GKSI-Union of Indonesian Dairy Cooperatives, also provides assistance in the purchase of livestock and procurement of milk processing equipment in addition to extension services.

The role of government in the promotion of cooperatives is to create conducive and enabling environment for cooperative development through policy pronouncements and review of cooperative legislation; and to provide guidance, necessary facilities and protection for cooperative business.

**05 Korea, Republic of :** Korea is one of the very few countries in which the transition from a rural economy to a developed, industrial economy has taken place in a single generation. Rice is the most important commodity in the Korean agricultural sector and is central to agricultural policy. Implementation of Uruguay Round and other international commitments dominate agricultural trade policy developments. Agricultural cooperatives in Korea had been vertically organised at three levels, primary cooperatives at the township level, city/county cooperatives at the city or county level, and the national federation. The primary cooperatives are classified into regional cooperatives and special cooperatives. The former are organised by the agricultural producers who are mainly engaged in grain farming such as rice, while the latter are organised by fruit and vegetable growers.

The current two-tier system came into being in 1981 in an effort to improve the managerial competence of primary cooperatives with which farmers have direct contact, and to develop them as core organisations in the Cooperative Movement and for rural community development. The former city/county cooperatives were transformed into branch offices of the National Agricultural Cooperative Federation [NACF], a national federation of the Agricultural Cooperative Movement, and now mainly perform banking operations. Regional cooperatives organised at the village level numbers 21,500 in 1961. The number was drastically reduced due to an amalgamation drive designed and initiated by the NACF during the 1968-1974 period to achieve economies of scale in cooperative management. The NACF now has 1,286 regional cooperatives and 46 special cooperatives as members. Almost all the nation's farmers are affiliated with these cooperatives. The membership of agricultural

cooperatives stood at 2 million farmers at the end of 1997. The member-cooperatives perform such business activities as the marketing of agricultural products, the supply of farm inputs and consumer goods, agricultural extension, banking and credit, and cooperative insurance services. Since 1989, the special cooperatives, which previously had handled only marketing and supply business, have also been allowed to provide banking and credit services to their member-farmers.

The NACF has 17 regional [banking] head offices, 155 city/county offices, and 712 branch offices across the country at the end of 1997. It also operates 10 training institutes and 24 agricultural marketing centres in order to efficiently support member-cooperatives. The NACF runs various subsidiary companies to perform effective business activities: the Agricultural Technology Cooperation Company, the Farmers' Newspaper, the Korea Agricultural Cooperative Trading Company, Korea Agricultural Cooperative Marketing Inc., the Futures Corporation, Korea Coop-Agro Inc., and the Nam-Hae Chemical Corporation. The NACF also has 4 overseas offices in Tokyo, New York, Beijing and Brussels.

The NACF is the apex organisation of agricultural cooperatives whose mandate is to increase agricultural productivity and enhance the economic and social status of member-farmers and therefore to secure a balanced development of the national economy, as provided for in the Agricultural Cooperative Law. The NACF has set up the largest and most competitive business network serving for five million Korea farmers and rural communities. It holds a 40% share of the local agricultural marketing and its banking operation consists of one of the largest deposit banks in Korea. The total number of staff members engaged in Federation work numbered to 17,448 along with 53,698 staff at member-cooperatives as of the end of 1997.

The other important sector of the Korean Agricultural Cooperative Movement is its livestock sector operating under the banner of the National Livestock Cooperatives Federation [NLCF]. The NLCF was established to promote the development of the Korean livestock industry, to ensure the socio-economic status of livestock farmers and to achieve the balanced development of national economy. In an effort to attain these objectives, the NLCF has performed a variety of business activities including processing, marketing, supply, warehousing, transportation, banking, insurance, farm guidance, and other activities such as research, training and public relations. The primary livestock cooperatives are classified into two categories: local livestock cooperatives and specialised livestock cooperatives. The former are organised by livestock farmers who have their business locations in the same place as their administration, irrespective of the kind of animals being raised, while the latter are organised by those who rear the same kind of animals without the administrative area limitations. As of the end of 1997, the NLCF comprised 193 member-cooperatives, including 146 local and 47 specialised cooperatives nation-wide. There are intense discussions going on which aim at merger of NLCF with NACF.

06 **Malaysia** : The three main core agricultural activities in Malaysia are the estate sector, the small farm sector and the newly-developed land sector. Plantation crops dominate agriculture. Oil palm cultivation has taken strides over rubber and other plantation crops due

to its high returns and less labour demands. Livestock production is restricted to pigs and poultry. Local beef production is only 10% of total demand and the dairy industry is very small, but slowly expanding. The contribution of agriculture to national economy, which was 33% in 1990, dropped to 15.8% in 1993, and the contribution of industry increased from 12.1% to 30.1% during the same period. Agricultural policy, development and its future are being governed by National Agricultural Policy [NAP] 1992-2010. The land usage for agriculture is expected to go down gradually in the future. Small farmers dominate land holding and the average size varies from 2.4 to 5.6 hectares. Agricultural cooperatives are involved in various activities e.g., credit disbursement, marketing, rice milling and processing activities and cooperative education activities. Agricultural cooperatives and other cooperatives function under various governmental agencies. At the end of 1995, 3,554 non-agricultural cooperatives were registered and functioning under the Department of Cooperative Development. Agricultural cooperatives are under the registration and supervision of the Farmers' Organisation Authority [FOA]. 1,511 agro-based cooperatives serving a total membership of 316,602 and with a share capital of RM 66.2 million were functioning as of 1994. There is a move to re-engineer the character and aim of agricultural cooperatives by creating an independent organisational structure for the sector.

The National Cooperative Organisation of Malaysia [Angkasa], is the national apex of the Malaysian Cooperative Movement, and a member of the ICA. Besides providing guidance and policy support to the Movement, the Angkasa also undertakes member education programmes. The Cooperative College of Malaysia, a government institution, provides professional and management training and orientation programmes to the government officials and cooperative leaders.

07 **Myanmar** : 66% of the population was engaged in agriculture. Of the total area of 67.6 million hectare, only 13% are under cultivation. Main crops include cereals like wheat, rice, maize and millet, oil seeds, grams, pulses and cash crops like cotton, jute, sugarcane, rubber and tobacco, vegetables and fruits. In 1995-96, the total cropping area amounted to 32.3 million acres showing an increase of 27% over 1991-92. Animal husbandry is another area where substantial growth has been achieved in recent years. Fertiliser production is not self-sufficient and the needed quantity is imported for meeting the requirements of farmers.

The Cooperative Movement in Myanmar was introduced in 1904 in accordance with the Indian Cooperative Societies' Act. The first agricultural credit cooperative was registered in January 1905. After independence in 1948, two cooperative laws were enacted in 1956 and 1970 respectively. The 1970 cooperative law was amended in December 1992 in line with the new market-oriented economic policies of the country. As of September 1996, there were 5,667 new cooperatives and 15,281 reconstituted cooperatives, which formed themselves into 495 cooperative syndicates which are, in turn, affiliated to five provincial level unions. The total number of members in all the cooperatives is around 2.8 million with a paid-up share capital of Kyat 3.7 billion. Primaries group together themselves into Syndicates [cooperative business unions] and these Syndicates form their own Unions or get affiliated to the national apex of the Cooperative Movement, the Central Cooperative Society [CCS].

The CCS is the national spokesman organisation of the Cooperative Movement and has

been a member of the ICA since 1993. The CCS is engaged in business and cooperative promotional activities. CCS also carries out cooperative education and training activities in collaboration with the Department of Cooperative Development. The primaries are multi-purpose in character and provide credit, input supply and marketing of member's produce in addition to allied services. Owning and operating processing facilities like rice mills, oil expellers, condensed milk manufacturing, salt plants, textile mills and other workshops, do value adding. Beans and pulses, different species of hard wood besides teak and wood-wares, rattan products, animal feed, handicrafts, dolls etc are exported and palm oil, consumer and household goods, fertiliser, vehicles etc. are imported. Import/export trade is mainly with India, Thailand, Singapore, Hongkong, Japan, South Korea, Germany, France, England and the United States of America.

To strengthen the cooperation and coordination in cooperative agriculture among cooperatives, Union of Agricultural Cooperatives Societies [UACs] was formed on 16th February 1996, comprising 158 syndicates. Now altogether 2,896 primary agricultural cooperatives are functioning on primary level.

08 Nepal : Most of the cooperatives in Nepal are related to agriculture, farming and farm products. Subsistence farming is still widely spread. Land distribution is uneven. The overall average size of operational landholding is slightly above one hectare. The small and marginal farmers who constitute the majority, operate between 0.28 and 1.03 ha. According to the Agricultural Census of 1991-92 nearly 70% of the total number of holdings are of less than 1 ha and account for about 31% of the total crop area. Although the country is rich in water resources, its agriculture depends primarily on monsoon rains. Only 25% of the total potential area is covered by irrigation. In 1994 agriculture accounted for about 41% of GDP. Crop production [as reported in 1994 in 1,000 tonnes] rice 2,928, maize 1,273, wheat 914, sugarcane 1,500, potatoes 840, and millet 268.

Agricultural multipurpose cooperatives are the most numerous types of societies. Their main activity is to supply inputs, give access to production loans and special purpose loans and sell items of daily consumption, an activity which is important in the hills and mountain districts, where such items are usually in short supply.

Agricultural cooperatives maintain 353 godowns with a total storage capacity of 54,694 MT. However, the utilisation of this capacity is low. Marketing is a relatively new but an increasing activity, depending on surplus production, mainly in the Terai areas. The principal commodities sold by agricultural cooperatives either to the Nepal Food Corporation or in the open market are paddy, wheat, maize and oil-seeds. However, cooperatives also purchase foodgrains to sell to their members during period of shortages.

A more recent activity with important prospects for the future is 'processing of agricultural produce' [esp. paddy and oil-seeds]. In 20 districts cooperatives have installed small, efficient agro-processing plants. Their success will depend on whether or not they manage to keep the cost of processing low and to maintain a good quality. Other types of cooperatives work in the fields of dairy, consumers, savings and credit, and craftsmen's supply and marketing.

A major success story is that of dairy cooperatives. Their number increased from 4 in 1991 to 377 in 1994 and 661 in 1995-96 with seven single-purpose district unions in 1994 and 9 in 1995-96 and one central dairy union which has been operating since 1991. In 1998 there were said to be a total of 900 dairy cooperatives. The total collection of milk is approximately 155,000 lt per day. Except for roughly 30,000 lt which goes to private dairies/milk processors or distributors, rest of the milk goes to the Dairy Development Corporation of Nepal, central dairy which processes and distributes milk and milk products in the country. The National Dairy Development Board of Nepal [NDDB-Nepal] is the central coordinating and policy-making institution which also provides loans for the development of dairy sector. The majority of these dairy cooperatives are self-sustaining and have grown to a stage where the country's dairy industry depends on these cooperatives.

Around 65% of farm requisites, including chemical fertilisers, improved seeds and implements are distributed through the cooperative network, mostly through the NCFN-district cooperative unions-primary cooperatives network. Another area of success lies in the fast growth of thrift and credit cooperatives. These cooperatives are gradually venturing into the distribution of items of daily consumption through their own little consumer stores. The situation is different in the case of urban cooperatives, where many new societies have been registered to qualify for tax exemptions but otherwise remain inactive.

09 **Pakistan** : As on 1996, Pakistan had 61,761 cooperatives, out of which 37,665 were agricultural cooperative credit societies. Multipurpose cooperatives number around 4,948. The total membership of the cooperatives was 3.7 million members, out of which 1.7 belonged to the agricultural cooperative credit societies. Administratively the cooperatives are affiliated to the secondary federations at district level, then to the provincial level federations and at the national level to the National Cooperative Union of Pakistan [NCUP], which is the spokesman organisation for the entire cooperative Movement and is a member of the ICA.

The cooperative banking structure in Pakistan is three-tiered with the agricultural cooperative credit societies at the base level, the provincial cooperatives banks at the province level and the government-owned Federal Bank for Cooperatives [FBC] at the national level. The FBC does not directly lend to the cooperative credit societies but routes funds through the provincial cooperative banks.

10 **The Philippines** : The Philippines, comprising 7,107 islands and islets with three main islands of Luzon, Visayas and Mindanao is principally an agricultural country. 47% of its 72 million population is highly dependent on agriculture. Main crops of the country include rice, corn, sugarcane, rubber, fruits and vegetables. Agricultural production in the country suffers every year due to typhoons.

Cooperatives in the Philippines cater to diverse needs of its membership., i.e. credit, consumer, marketing, services etc. and mostly are multipurpose in character. The new Cooperative Societies Act, [RA 6938], enacted in 1990, has made the cooperatives free from government interference and paved the way for a smooth and proper democratic development of the movement. As of June 1996, there were 39,222 registered cooperatives in the country, out of which 24,814 [63%] were agriculture-based, and 8,858 [23%] were non-agriculture

based with a total membership of 5.59 million. The cooperatives are growing fast in number and the membership rose from 1.16 million in 1991 to 5.59 million in 1996. Contribution to GDP from the cooperatives has grown from 2.2 to 9% during 1991 to 1996, from Pesos 29 billion to Pesos 141 billion. The Movement has established 44 cooperative banks so far.

**11 Sri Lanka :** Agriculture occupies a predominant position in the economy of Sri Lanka. It employs 48% of the labour force and 58% of all export earnings for the country is achieved from export of agricultural products. Paddy, coconut, tea, rubber, spices, roots, maize, fruits and vegetables are the principal agricultural products. Livestock production accounts for 6% of GNP. Tea, rubber and coconuts are large-scale plantations and are export crops.

Since the beginning of the Movement in 1906, agricultural cooperatives have played a major role. The first credit cooperative society was established in 1911. In 1972, existing 955 multipurpose cooperatives were amalgamated into 372 stronger and more viable multipurpose societies and today 272 multipurpose cooperatives are functioning. These societies provide production credit through their rural banks, and supply inputs such as fertilisers and in some cases loans for land preparation etc. Today a total of 12,026 cooperatives of all types and at all levels are functioning in the country with a total membership of 4,549,800 members. A majority of these societies are incurring losses in their business operations. Coconut and rubber producers' cooperative societies are mainly involved in processing and marketing their products and have formed their own apex organisations for exporting their products. These societies also provide credit facilities, fertilisers, management advisory services etc.

The National Cooperative Council of Sri Lanka [NCC/SL], is the national apex of the Cooperative Movement, and a member of the ICA. It conducts staff training and member education programmes through its regional centres and district cooperative councils. For staff training, the government also operates a School of Cooperation. Professional management development and cooperative consultancy activities are conducted by the Sri Lanka Institute of Cooperative Management, a government-sponsored institution.

**12 Thailand :** Cooperatives in Thailand were established in 1916 on the basis of the Raiffeisen model - mainly to provide agricultural credit to the farmers. The first Cooperative Societies' Act was promulgated in 1928. Cooperatives are now covered by the new Cooperative Societies' Act of 1999. Cooperatives in Thailand are classified into six types i.e., [i] Agricultural cooperatives which cover agricultural cooperatives as such, [ii] Land settlement cooperatives, and [iii] Fisheries cooperatives; and the non-agricultural cooperatives which include [iv] Consumer cooperatives, [v] Thrift and credit cooperatives, and [vi] Service cooperatives. Agricultural cooperatives are established to enable farmer-members to engage in business together, thus helping one another in times of crisis as well as gaining for themselves a better livelihood and a better quality of life.

The objectives of agricultural cooperatives are: to provide loans to members for productive and providential purposes at affordable rates of interest; to encourage thrift among members through savings and deposits; to provide agricultural products as well as daily necessities for sale to members at reasonable costs; to provide good farm production methods and disseminate technical know-how aimed to help members reduce production costs and

obtain higher yields; to enable members to market product together thereby obtain good prices for their produce and maintaining fairness in term of weights and measures.

The Cooperative League of Thailand [CLT] was established under the present Cooperative Societies' Act of Thailand which was enacted on 7 June 1968. The Act proclaimed that there shall be an institution called the "Cooperative League of Thailand" consisting of members which are cooperative societies throughout the Kingdom without sharing profit of income. The CLT and the Cooperatives Promotion Department of the Government provide member education, extension and staff training services.

13 **Vietnam** : Agriculture is the mainstay of the economy of Vietnam. 78.3% of the workforce depends on agriculture for their livelihood. 50% of GNP is contributed by agriculture. Paddy is the main commodity and the country has been able to achieve an export surplus of 2 million tons yearly. Other main crops include maize, sweet potatoes, cassava, potatoes, soybean, peanuts, rubber and fruits and vegetables. In 1995, there were 16,243 cooperative enterprises [equivalent to multipurpose agricultural cooperative societies] and 2,548 cooperative production groups covering 64% of farming households in the country. Efforts made to strengthen the agricultural cooperatives and redistribution of agricultural land on a limited ownership basis have resulted in a positive impact on average plot yields. Some families are able to generate surplus incomes from a better farm management. The cooperative enterprises undertake activities in the field of input supply, production credit and marketing. Backward and forward linkages are provided to the members.

The cooperative enterprises at the primary level are affiliated to the district unions which, in turn, federate into provincial unions. At the national level all cooperatives federate into the Vietnam Cooperatives Alliance [VCA], which is the apex body of the Movement. It is a member of the ICA. As the apex organisation the VCA represents the Movement in national and international fora.

Many joint ventures between cooperatives and private trade, between cooperatives and multinationals from other countries have been established for manufacture of a variety of products both for domestic consumption and export. With the restructuring programmes announced by the government, the cooperatives, under the leadership of the VCA, are expected to play an important role to strengthen the economy of farmer-members.

#### **Development Efforts are Not Lacking**

The brief overview of the agricultural cooperatives in the Asian region suggests that sincere efforts were being made by all concerned to improve the lot of farmer-members by providing them with all possible services and inputs. Efforts are being made to improve the structure with a view to making it more efficient and oriented to the needs and requirements of members. The Cooperative Movement itself has been trying hard to support the national governments in raising the agricultural production thus steadily contributing to the process of national development. On the part of the national governments, the cooperatives were provided with all possible facilities, priorities, concessions, and support by giving an important place to cooperatives in their respective economic development plans.

Within the Cooperative Movement itself a tremendous change is taking place by way of



building up structures vertically and expanding the services horizontally. The number of agricultural cooperatives has been shrinking due to the process of amalgamation and on the principle of viability. The membership of agricultural cooperatives has been increasing and so are the branches of agricultural cooperatives. The potential of agricultural cooperatives in the field of agricultural credit is no less as, in many countries, credit is gradually being linked with marketing. It has also been noticed that a number of agro-processing cooperatives have emerged thereby increasing the income of basic member-producers. A number of warehouses and other infrastructural facilities have emerged and developed. Agricultural cooperatives have proved to be the most logical agencies for procurement of foodgrains to build up national foodstocks.

On the other hand, it has been observed that in almost all cases, cooperatives have a tremendous patronage and support from the government. In this process it has been noted that governments have contributed immensely towards the share capital and business operations of agricultural cooperatives. This process has been welcome but at the same time has left some of the difficult realities which are hard to swallow. Government control on agricultural cooperatives has increased in a large number of developing Movements which means that the principle of democratic control and members' initiatives have faded out. Due to a strong presence of governments in cooperative affairs in a large number of countries cooperatives have begun to be regarded as 'government agencies' rather than members' own institutions. A very little distinction is left to realise that cooperative organisations, big or small, have virtually become government corporations or government-guided, government-controlled enterprises.

### **Role of Government**

Viewed in the above context, the role of Government is also being subjected to transformation. Its role as creator, manager and controller of cooperative is being replaced as that of a partner and enabler to create a conducive policy and legal environment to ensure that: [i] Autonomy and independence of cooperatives is strengthened; [ii] Self-regulation process within cooperatives is catalysed; [iii] A fair playing field for cooperatives is provided to facilitate them to compete in the market without any hurdles; and [iv] Support services, namely, audit, training and consultancy are restructured and entrusted to cooperatives themselves.

Political interference in the functioning of cooperatives, supersession of elected boards for political reasons, appointment of nominated chairmen on the boards of management of many of the large-sized cooperatives, not holding of elections of cooperatives for long times go contrary to the democratic management Principle of Cooperation. While control of government on the cooperatives may be desirable to continue, not only because of its substantial shareholding in the cooperative venture but also to protect the interest of a large number of small and illiterate farmers, in practice, this control can be and is often misused due to political reasons.

## Chapter-III

### Characteristics of Agricultural Cooperatives in Asia

In all the countries of the region, organisational structure of cooperatives is federal. Important consideration behind creation of federations was to provide linkages of primary cooperatives with secondary and tertiary levels of economies. Further, the federations were expected to provide institutional and business support to the primaries. However, over the years, while federations of business cooperatives have grown stronger, their constituents continue to be weak. In a number of countries, there is a view that federations have become strong at the cost of their members. The situation needs to be changed by reorienting the working of federations and strengthening inter-cooperative relationships.

Given below are some of the characteristics of agricultural cooperatives in the Asian region:

01 **Three-Tier System:** In a majority of countries in Asia the system is three-tier, i.e., primary, secondary and apex level. In Thailand and Sri Lanka a two-tier system is followed. In Japan and Korea two-tier system is being strongly encouraged. At the head of the sector is a sectoral business federation which provides support, guidance and the needed linkages.

02 **Services and Facilitation are the Principal Objectives:** As is the normal practice every agricultural cooperative has its Articles of Association or the byelaws which have been duly approved by the members. [The Annual General Meeting of members, as a supreme decision-making body, has the right to adopt, amend and repeal the byelaws. The byelaws has a sequencing and listing of all the procedures which need to be followed. This is a self-imposed constitution which is binding on all the members and which also conforms with the limits laid down in the prevailing Cooperative Law. These byelaws need to be approved / registered with the Government to acquire a legal entity for the cooperative.] These byelaws have a listing of the main aim, objectives, and a detailed description of all aspects of management of the cooperative. The main aim of the agricultural cooperative is generally focussed on improvement of social and economic conditions of the members through better marketing of their produce. The objectives generally are: to provide all possible assistance and guidance to the members in their farm operations by supply of the required farm inputs, farm credit, guidance and assistance in crop protection, harvesting, storage and marketing. Cooperatives also promise in their byelaws all types of assistance, as are possible, e.g., grading, sorting, packaging, transportation, warehousing, market information and technical serv-

ices including education and extension services. The principal objective is to provide maximum possible facilitation in increasing farm production and helping in securing better economic returns to the members.

**03 Agricultural Cooperatives as Major Contributors to National Foodstocks:** Since a majority of countries in Asia are highly agricultural-oriented, monsoon-dependent and draught-prone coupled with ever-increasing population, building of national foodstocks have become a necessity. Importing foodgrains joined with the import of energy resources has proved to be an extremely heavy drain on the already scarce foreign exchange reserves. No government in the region would naturally like to take any risk on foodstocks. Since agricultural cooperatives are the organised institutions of farmers at the base, governments have established procedures which call for the cooperatives to contribute the foodgrains to the national stocks. The procurement of foodgrains is linked with agricultural credit given by cooperative banks and other financing institutions with guarantees from the government. Agricultural cooperatives get some kind of procurement commission from the government which forms a major portion of their capital. Rural cooperatives in several countries have also been designated as authorised distributors of essential commodities on behalf of the government for which they again receive some commission.

**04 Priority is still on Procurement of Farm Inputs and Farm Credit:** A study of agricultural cooperatives would come to a conclusion that these cooperatives have not shown any strong initiative or drive for doing something else than merely providing production credit and procuring foodgrains for national foodstocks. Very few federations or societies in Asia have taken up the business of food processing, production of farm-input supplies, agro-industries etc. Some instances of these initiatives are noticed in India e.g., NAFED's processing plants and bio-fertiliser production unit, IFFCO's fertiliser production and extension services for end-users, sugar cooperatives' social-oriented programmes of constructing irrigation dams, roads, technical and vocational colleges and other social institutions and services, milk cooperatives' community development programmes, animal husbandry activities, village improvement programmes, rural electrification programmes of a number of agricultural multipurpose cooperatives in western India, Japan's farm guidance activities and better-living programmes for farmer-members – the heart and soul of an agricultural cooperative in Japan, A-COOP stores [large supermarkets operated by primary level agricultural cooperatives], consumer outlets of Indonesian KUDs, and Sri Lanka's MPCs and their rural banks, consumer stores and some processing units etc.

**05 Supply of Agricultural Credit:** Almost in all the countries it is the agricultural cooperative which provides 80-90% of agricultural cooperative credit. Very few commercial banks have participated in this sector, except for some national banks in India, the agriculture-oriented state banks in other countries e.g., Indonesia [BRI], Thailand [BAARC], Sri Lanka [People's Bank]. Most of the designated banks supply government credit for priority sectors. The cooperative banks in many cases find it hard to mobilise funds for rural credit due to shortage of funds, high overdues still outstanding, and writing off of loans by government due to political reasons.

In Asia important sources for cooperative capital are members' equity, borrowing from fi-

nancial institutions and government. Cooperatives have also created their own financial institutional framework in the form of credit unions and cooperative banks. In spite of this, their access to capital market is very limited due to restrictive cooperative laws and organisational constraints. To get over the problem of capitalisation, some of the steps taken by cooperatives in the region include linkages between members' equity with the extent of services availed, conversion of patronage dividend into equity sharers, inviting non-member non-voting share, tapping capital market through issue of bonds, debentures, establishment of holding/subsidiary etc.

Poor loan repayment by the members has been a chronic problem with agricultural cooperatives, often resulting in blocking or delaying the processing of loans at various levels. In spite of concepts of supervised credit and recovery through group pressures, the actual supervision of loan at the stages of processing, issue and utilisation was mostly perfunctory and superficial resulting in poor recovery. Loans or interest thereon due by members of cooperatives are often remitted by the government in various areas on grounds of natural calamities etc. [even without providing for compensation]. Such remissions undermine repayment discipline of members and seriously affect recovery of loans not only in those particular areas but also in other areas as well.

The greatest need is to vigorously conduct campaign for mobilisation of financial resources from within the society and the Movement, by increasing membership, issue of more shares to the existing members and procuring more savings and deposits and also through the conduct of profitable business. For success of such a campaign member's sense of belonging to the society and his interest and involvement in the management of the society has to be ensured.

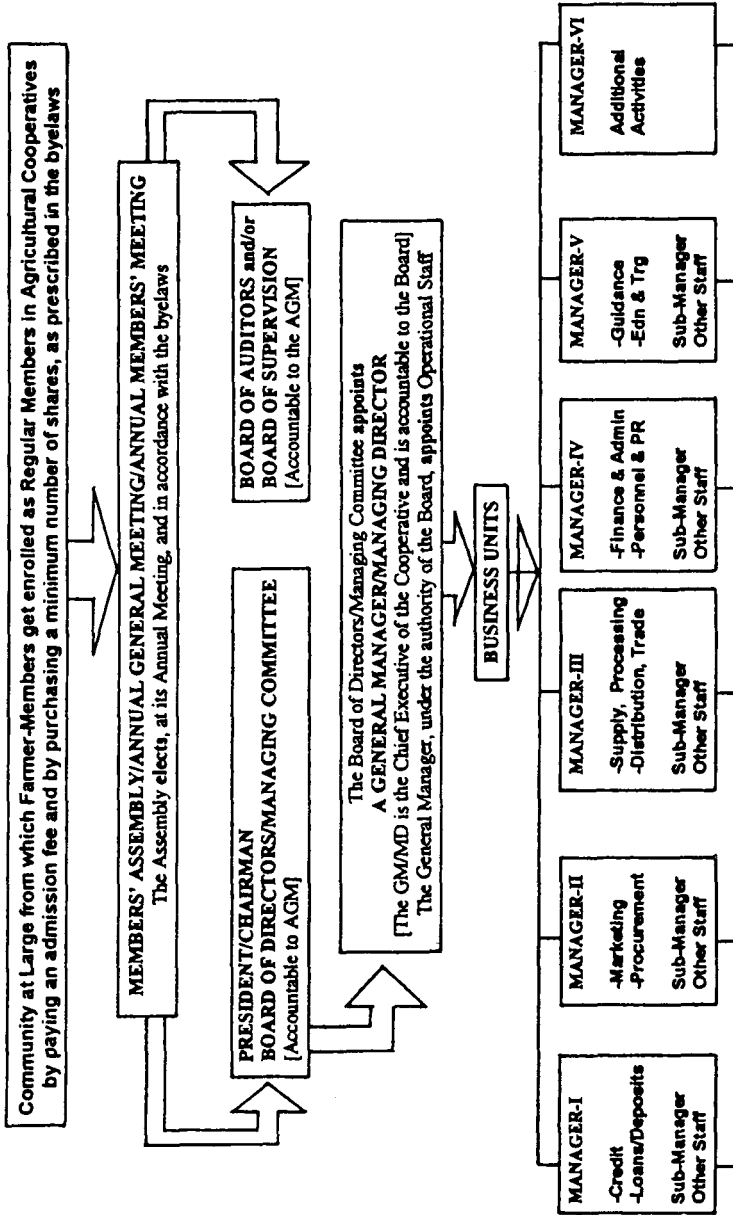
**06 Management of Agricultural Cooperatives:** The major concerns for an agricultural cooperative, therefore, cover two aspects, i.e., economic activities and managerial efficiency. The management of the functions of the society vests in the management bodies and officers at different levels of the organisation structure. These include, among others, the following: The general body of members which includes the annual members' meeting and other general meetings; the managing committee or the board of directors; specialised committees; the chairman and the vice-chairman, the general manager and other business managers. The general Meeting is the supreme body which adopts, amends and repeals the byelaws. The byelaws is the self-imposed constitution. This needs to be registered with the Government to obtain a legal identity.

While the general meeting frames the general policies, the managing committee implements them through the general manager and other employees of the cooperative. Throughout the region, the organisational structure of an agricultural cooperative remains the same except for some small variations here and there mainly due to the size of the cooperative. A sample of the organisational structure generally followed in the region is given in **Figure-I**.

Managers play a vital role in fulfilling the wishes of the general meeting. Some of the key functions of a manager of an agricultural cooperative, among others, are the following:

Figure : I

**Organisational Structure of Agricultural Cooperatives  
Generally Followed in the Asian Region**



Note: The number and scale of Business Units of a cooperative depends on its size, area of operation, volume and variety of business operations

- Establishing purposeful directions in the light of the overall policies of the cooperative;
- Ensuring the continued growth and survival of the cooperative enterprise;
- Ensuring efficiency to generate business and surplus;
- Preparing for meeting competition;
- Introducing innovations through work efficiency, value-addition, employment of new technology, enhancing agro-processing activities, improved work methods and techniques;
- Strengthening and sustaining human resources within the organisation by providing development opportunities and creating better work environment;
- Demonstrating effective managerial leadership by developing the capacities and capabilities of other employees;
- Establishing effective communication between himself and the managing committee and between the cooperative and its members, and among other managers and employees of the cooperative;
- Adopting management skills in Planning, Controlling, Organising, Communicating and Decision-making; and
- Following self-appraisal and evaluation practices.

Managers, to be effective, must acquire special knowledge and leadership skills and use the knowledge of many branches of science, as, for example, economics, sociology, social psychology, pedagogy, organisational science, jurisprudence, mathematics, statistics and special fields of the technical sciences for their managerial activity. Managers, being professionals within the cooperative management system, play an important role in an all-round development of a cooperative institution.

Professionalisation of management in cooperatives explicitly implies that in the management of cooperatives, even when it is duly professionalised, it is the elected management which lays down the policy frame and procedural guidelines at the planning stage and regulates the performance of management towards achievement of its objectives at the control stage. In this sense, therefore, elected management performs crucial role in providing sense of purpose and direction to the process and system of cooperative management. It is, however, painful to see that the elected leaders manage the day-to-day activities instead of the manager. Both of them, the elected leaders and the professional managers, have to work as a well-knit team to realise the policy frame established by the general body. Both should respect the role of each other and aim at a higher level of good governance and transparency in business dealings.

Managers are organisation builders and, more so, when the organisation belongs to small and marginal farmer-members. In this situation a manager has to have:

- a. A thorough understanding of and good experience of working with small farmers;
- b. A capacity to interpret technological changes in their socio-cultural context;
- c. The patience and the capacity for research and study;
- d. Commitment and readiness to take up issues with the vested interest groups who will fight back for status quo; and
- e. Capacity to learn from failures, of which he may have many, because organisation building is a difficult task.

In contrast to general thinking, a manager of a small farmers' integrated cooperative has to have a greater degree of sophistication in vision and technical and managerial knowledge and skills. He must be viewed as a "development entrepreneur".

Cooperatives are often blamed for non-performance mainly due to lack of participation on the part of their members. In agricultural cooperatives the entire business moves around the economic benefits which the members expect and derive from their cooperative. Farmer-members are eager to sell their produce and obtain timely and sufficient funds to increase their produce. A manager is, therefore, confronted with several problems e.g., identification of markets, methods and techniques of handling members' produce, ensuring adequate returns to the member-farmers and maintaining their loyalty and relationship with the cooperative. Managers with experience, capacity, capability, tact, clarity of business ethics, and professional competence can overcome such problems.

**07 Integrated Approaches and Business Linkages :** In almost all the countries of the region vertical development of agricultural cooperatives have been noticed. Very little efforts have been made to consolidate the process of integration of agricultural cooperatives with those of other related cooperatives horizontally as well as vertically. In India the largest marketing federation – the National Agricultural Cooperative Marketing Federation of India [NAFED] – has become a vertically strong cooperative, but its relationship with other agro-group cooperatives has not developed in business terms e.g., with fertiliser producing cooperatives or with sugar or milk cooperatives, or even with the cooperative credit institutions. In Malaysia a full-fledged insurance cooperative has been operating successfully for a long time. The IFFCO, in collaboration with a large Japanese private insurance company, has recently launched an insurance scheme for its member-cooperatives and other farmers' organisations. Insurance business has also been launched by cooperatives in Sri Lanka and Thailand.

In the case of the Republic of Korea, it is the National Agricultural Cooperative Federation [NACF] which is more noticeable than any other cooperatives in the field of agricultural cooperation. The initiative is with the NACF only, which, by itself, has become a large institution. The primary level cooperatives are linked directly to the NACF and they, in turn, receive all the inputs and other supplies including guidance through NACF branches and distribution network. The agricultural cooperatives in Japan provide a more satisfactory

picture of integration – vertically and horizontally where most of the functions of a primary cooperative are looked after by the respective prefectural and national business federations. The JA-Zenchu, a national apex of the agricultural cooperatives sector, provides policy support to the sector and involves itself in policy dialogue with the government on behalf of the sector.

**08 Inadequate Infrastructural Facilities:** In almost all the countries, except Japan and Korea, the infrastructure to support the activities of agricultural cooperatives is grossly inadequate and insufficient especially in marketing and supply areas. Because of very limited resources, these cooperatives cannot build their own warehousing facilities, cold stores, irrigation facilities, electricity for farm and farm-processing operations. Very little efforts have been made by the agricultural cooperatives in mobilising internal resources and developing a sense of 'self-reliance' among the general membership and cooperative management people.

**09 Process of Amalgamation, Merger or Consolidation.** In all the countries of the region there have been a large number of cooperatives at the primary level. These are small in nature with very little working capital and performing only a few operations. Their activities are seasonal and restricted to disbursement of credit or procurement of farm products for the government or for other agencies on commission basis. They have no member development or extension programmes and would generally not take up any other economic services. These cooperatives were regarded economically unsound because of their low resources and a large membership. It was regarded worthwhile either to disband them or to merge them into some more economic and viable institutions.

While the process of amalgamation in Japan emerged out of pure economic reasons, and at the own initiatives of cooperative leaders and with the backing of the government, this process of amalgamation in other countries came out of ordinances, enforcement from the government and due to political compulsions e.g., Sri Lanka, Indonesia, Bangladesh, Pakistan, India and several others. No doubt the reasoning behind consolidation or amalgamation was the same – non-viability of a smaller unit – but the methods were different. The major initiatives came from the government not from the cooperatives themselves. In a majority of cases it were the cooperative departments which determined the units which were to be consolidated whereas it should have been the cooperatives themselves to indicate their preferences or wishes. The process of amalgamation of agricultural cooperatives in Japan has steadily progress though at a slower pace.

Another version the consolidation/amalgamation is the creation of a federal character within the agricultural cooperatives sector e.g., emergence of secondary and national level agricultural cooperative marketing federations in various countries e.g., Japan, India, Sri Lanka, Indonesia, China and Thailand.

**10 Government Controls:** In many countries of the region, it is the government that still decides the fate of agricultural cooperatives and not the general membership of these institutions. The boards are superseded or nominated without any consultations with the members. Marketing strategies are determined by the State. Management of cooperatives is han-



dled by government-appointed officials. In several cases, governments have gradually made these cooperatives free, but then the cooperatives tend to fend for themselves because all the facilities and patronage from the government have been withdrawn.

Due to excessive controls exercised by governments on cooperatives a variety of apprehensions were faced by cooperative leaders and members alike. Some of these were:

- Are the Principles of Cooperation to be reserved only for theoretical discussions?
- Why should the cooperatives be blamed for non-participation of members in the affairs - economic and social - of their own cooperatives?
- Who should be held accountable if the performance of a cooperative is not encouraging?
- What could be the alternative source of funding for the cooperative if the government does not participate or is kept out of the cooperative activity?
- How to upgrade the government-controlled cooperative into a genuine cooperative and what should be the role of the government in the promotion of cooperative development? etc. etc.

The agricultural cooperatives can come out of the present state of dependence on the state only if they strengthen their own resource base. While it may be necessary for them to seek support in the early years of their existence but they must gradually become free from state control which is possible by repatriating the state share capital and taking over the same by their own members. This can come about only through awareness among its members which can be brought about by appropriate and intensive training and education.

**11 Dependence on Government:** In all developing economies the prime-mover of development emanates from the government through the economic development programmes. Agricultural cooperatives, in many cases, have blossomed out of government actions and deeds. While in some countries e.g., Japan and Korea, these cooperatives have managed to flourish on their own or with a minimum of State support, the situation in a majority of countries presents a scene of dependence on the government for all purposes e.g., credit, personnel, concessions, marketing structures, warehousing, seeds, irrigation, electricity, legislation etc. Efforts have been made in some countries to develop own independence business or activities by agricultural cooperative without much of support from the government. Such examples are very rare e.g., sugar and dairy cooperatives in India.

**12 Determination of Floor Price by the Government:** Because of the policies on food production, to stabilise food prices, and to ensure a fair return to the farmers, in a majority of Asian countries, the government determines the floor prices of major foodgrains. The participation of cooperatives and farmer-members in the process is negligible. It is the government which considers the costs of various inputs, the margin of profit for the farmer, and its market floor price. This situation is not satisfactory in the sense that the farmers tend to dispose off a large chunk of their produce through the private traders. The farmer does not receive an adequate return for the costs he has incurred.

**13 Multiplicity of Agricultural Cooperative Institutions:** In some of the countries of the region e.g., Malaysia and Bangladesh, various types of agricultural cooperatives and agricultural [farmers'] associations exist. In Malaysia some of the agricultural cooperatives fall under the purview of the cooperative department while some others are controlled by the Farmers' Organisation Authority [FOA] and still some others are under the FELDA, FELCRA, RISDA etc., all of them being the government agencies. In Bangladesh there are two streams of agricultural cooperatives, one directly under the charge of the cooperative department and some fall under the direction and supervision of the BARD. The system may be relevant to some extent but generally it tends to place a heavy burden and uncertainty on the part of the financing institutions.

**14 Competition with Private Sector:** In a majority of countries the national economic policies have been undergoing a tremendous change e.g., opening up trade with other countries, open market policies etc. As a result, the agricultural cooperatives are finding it difficult to compete with the private sector due to various reasons e.g., inexperience in handling business against the private trade, somewhat bureaucratic style of handling business operations and people in the cooperative sector, delayed decision-making, regulations-bound management etc. It has also been noticed that cooperatives tend to go into competition with sister-cooperatives and own affiliates. The multipurpose cooperative societies [MPCSs] in Sri Lanka, primary level village cooperatives [KUDs] in Indonesia, farmers' associations in Malaysia, marketing cooperatives in India, are some of the examples.

Agricultural cooperatives have to face stiff competition with the private trade who generally does not incur similar kind of overheads for running their establishments. This makes the cooperatives less competitive vis-à-vis the private trade. The cooperatives, therefore, are required to be much more efficient than the private sector. This is only possible if they have well-trained and professional management with enlightened membership which, at present, is missing.

The cooperatives unfortunately want to have more and more business with non-cooperative institutions and particularly with the private trade. In fact, they feel more at home in having business tie-ups with private trade than with sister cooperative institutions. This runs contrary to the Principle of Cooperation of 'Cooperation among Cooperatives'. This is a very unhealthy trend which needs to be checked. There is an urgent need to develop sound business relationship among the cooperatives.

**15 Untrained and Insufficient Management Cadres:** Agricultural cooperatives at secondary and national level have a large number of government officials of senior levels to work as managing directors and general managers. These officials have been deputed because of government's involvement in the business of such cooperatives. In India, such a situation is an outstanding feature of the Indian Agricultural Cooperative Movement where almost all the state level marketing and dairy federations have government officials as managers. This may be acceptable in view of the fact that sufficient cadres from within the organisations were not ready or available to fill these higher positions. These officials do not necessarily come from relevant sectors to manage the cooperative business organisations. They need some time to learn about the techniques, and once they are able to integrate

themselves with the activities of these federations, their terms of deputation comes to an end and they leave the organisations leaving behind the new-comers who still need training and experience. In a majority of Asian countries, internal staff training in business management is not yet given a place of prominence.

Although there is a training and development structure in the Region, yet the programmes offered happen to be inadequate and the capacity utilisation is low. It needs some attention to prepare the participants to take up the challenges faced by them. Course curricula and training material used needs extensive review which should be need-based. The methods and techniques being used for members' education in India, for instance, have also outlived their utility.

To assume that an infusion of education alone will propel basic members forward would be a fallacy simply because these basic members are handicapped because of lack of resources, limited risk-bearing capacity and lack of influence and approach. Even in Japan it is becoming difficult for agricultural cooperatives to retain the interests of their members largely because the total concept of membership has undergone a sea-change due to free market and competition pressures. Members are increasingly dealing directly with major consumers. Because of fast changing communication pattern and flow of market information, members can decide where to sell their products - through the cooperative or in the open market, and if they can get better prices in the open market why should they patronise the cooperatives! There is, however, a flaw in this concept. Members do get additional services from their cooperatives which they may not get from the private traders. Such concepts are missing in the contents of current education and training programmes, and such contents are necessary for strengthening the bonds of relations between the members and the cooperatives.

**16 Cooperative Governance:** With the paradigm shift from a State-sponsored to member-centric cooperative system various aspects of governance of cooperatives e.g., concept of stakeholders, democratic member control, inter-relationships between various constituents of management and role of manager are being redefined. Briefly the trends are: [i] Concept of stakeholders is made more broad-based by including members, managers, employees, government financing institutions, and community as principal stakeholders in a cooperative; [ii] Strengthening democratic member control based on transparency and accountability of management towards members; [iii] Clear definition and demarcation of functional authority and relationships among members, board members and managers in the cooperative law and bye-laws; [iv] Empowerment of cooperative managers for taking strategic management decisions at operational level based on policies formulated by the members and the board; and [v] Creating efficient systems and tools for internal control within the cooperative enterprise.

There have been instances of conflicts between the manager and the Board. Such conflicts have brought disaster to well-functioning cooperatives. A can blend business operations with community leadership and thus try to bring higher income returns to the members and generate goodwill for their cooperative and deliver benefits to the community at large from where the owners of the cooperative originate. There is a very small gap between the

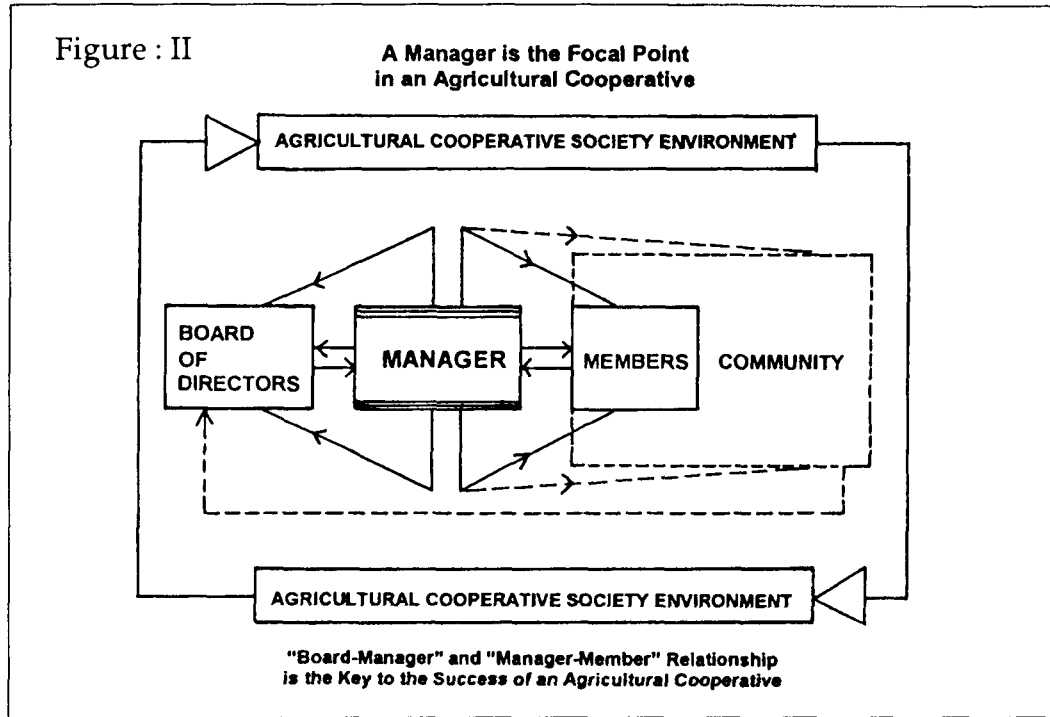
Manager and the Board – it all depends on the wisdom of the Board and the Manager to continue to make this gap narrower. Wider it becomes difficulties for the agricultural cooperative increase. Some ethical demarcation of discipline based on mutual understanding and respect for each other's role is needed between the two important management organs to make the cooperative sustainable. [See Figure-II].

**17 Political Influence:** Since the cooperatives deal with a large number of people, they assume an important place in the arena of democracy. Political interests view the cooperatives as valuable and potential 'vote banks'. Since all the countries of the Region have adopted the parliamentary form of government, it is but natural that the political interests constantly keep that grassroots cooperative members in focus. Although political affiliations or influences are not in accordance with the Principles of Cooperation, yet there is always some direct or indirect influence of power politics on the management and leadership of these institutions.

All political parties in the region of whatever shades do accept the Cooperative Movement as a means to economic development with special reference to weaker sections of the population. It is silently accepted by all concerned that agricultural cooperatives cannot survive without the blessings of the political party in power. In some of the countries political interests tend to tinker with cooperative principles, ethics, methods and practices to further their own agendas e.g., withholding or delaying reformation of cooperative legislation, writing off loans thereby putting the cooperative lending institutions into greater economic troubles etc. There were also times when the agricultural cooperatives, sugar cooperatives and milk cooperatives were regarded as 'king makers' in some of the countries of the region because of their political clout and affiliations. Political interference in the functioning of cooperatives, supersession of elected boards for political reasons, appointment of nominated chairmen on the boards of management of many of the large-sized cooperatives, not holding of elections of cooperatives for long times go contrary to the democratic management Principle of Cooperation. While control of government on the cooperatives may be desirable to continue, not only because of its substantial shareholding in the cooperative venture but also to protect the interest of a large number of small and illiterate farmers, in practice, this control can be and is often misused due to political reasons.

Besides economic, cooperatives possess social and political capital. These are in the form of: members, employees, and general public [including men and women, rich and poor]. Leaders, cooperative or political, emerge from out of the community. Cooperatives often provide platforms for the leaders and workers to grow.

Some of these leaders become charismatic leaders who transform the local conditions into islands of success [dairy cooperatives and sugar cooperatives in India] and remain wedded to the ideals of cooperative activity. Some of them move into the political arena and become legislators. Since the roots of all leaders - cooperative or political - are within the communities, they cannot ignore the force and potential of the community members. It is, however, a question of harnessing their positive potentials to the advantage of cooperatives. Cooperatives are therefore the best schools for education and development of leaders and most suitable to cultivate them to be used as their capital.



In an agricultural cooperative the Manager is the focal point for the members and cooperative leaders so far as the provision of services and contacts with the community are concerned. The Manager is the centre-point between the members and the Board of Directors. He has not only to listen to the members and communicate their feelings and needs to the Board but also to respond to the members based on the management decisions. It is, therefore, important that all developmental activities in a cooperative are undertaken with the Manager being placed in the centre of all activities. As per the byelaws of an agricultural cooperative, there are specific duties assigned not only to the Manager but also to the Board. Both the organs have also their rights. Both of them need each other. They are an integral component of the management. In several cases the duties of the Manager are taken over by some over-enthusiastic Board members thus reducing the decision-making capacities of the Manager. In several cases it has been found that the members have direct access to the Board members ignoring the authority and presence of the Manager. Some of the elected Presidents have thus become the executive Presidents. The role of the Manager is thus diluted to the extent that he becomes a non-entity. His advice, suggestions and reports are not even considered at the Board meeting leave alone his being invited to attend Board meetings. In several cases it has also been found that Managers are so well qualified and professionally competent that Board meetings do not proceed without their presence. In some of the agricultural cooperatives, leaders, on their own initiatives, have accepted an unwritten principle of demarcation of duties – leaders deal with the community and handle broad policy issues, while the managers perform their managerial functions in a professional manner and keep all the staff informed of the objectives and achievements of their agricultural cooperatives. The Manager, therefore, can blend business operations with community leadership and thus try to bring higher income returns to the members and generate goodwill for their cooperative and deliver benefits to the community at large from where the owners of the cooperative originate. There is a very small gap between the Manager and the Board – it all depends on the wisdom of the Board and the Manager to continue to make this gap narrower. Wider it becomes difficulties for the agricultural cooperative increase. Some ethical demarcation of discipline based on mutual understanding and respect for each other's role is needed between the two important management organs to make the cooperative sustainable.

### **Impact of Agricultural Cooperatives**

The impact of agricultural cooperatives in Asia has varied from time to time, and place to place. This impact has generally depended on the extent of members' involvement, quality of leadership [including management leadership], government policies and programmes, availability of trained and qualified staff and structural support, but above all, the intrinsic ability of cooperatives to serve their members and help them increase their incomes. Where cooperatives have evolved themselves into integrated structures and are inspired by dedicated leaders and managed by professional staff, and offer an entire range of services, these tend to have a high degree of impact. The positive impact of cooperatives can also be attributed to the coordination that exists between the leaders and the managers and the image they have for themselves as dedicated promoters and efficient professional managers of agricultural cooperative institutions.

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*“The management in cooperatives has two wings viz., the Board of Directors elected by the members on the basis of their ‘free choice’; and paid employees of various categories. Both the wings are equally important. On their combined competence and dexterity depends the management efficiency of a cooperative. The efficiency and effectiveness of management as a factor to improve competitive strength requires: Clear understanding; Mutual trust and confidence; Objective policy decisions; Working on the basis of a well-conceived code of conduct; and an Efficient and honest reporting and information system.”*

## Chapter-IV

### Prevailing Systems in Agricultural Cooperatives

Roberto Rodrigues, President of the International Cooperative Alliance, while delivering his keynote address on 'the Role of Agricultural Cooperatives in the Face of the Changing World Environment' at the 33rd General Conference of the International Federation of Agricultural Producers [IFAP] had made some very pertinent remarks. He said:

"Cooperatives must begin by defining its relevance, opportunities, and also challenges, in the changing world scenario where 'the market' remains without a rival. The role of agricultural cooperatives is the key to restoring the lopsided marketplace...As individuals or as small groups, however, these small farmers cannot reach the required economies of scale to fulfil their needs. They need to form institutionalised services, in addition to getting organised in order to challenge exploitation. By institutionalised services we mean farmer-led services and not government-sponsored ones. Otherwise, market forces will drive these farmers into becoming adjuncts of private processing ventures and big trading houses, or to become government instruments at best.

"However, challenges facing agricultural cooperatives are formidable. Economies of scale mean being able to run the cooperative in a truly efficient business manner so that cooperatives can compete with the private sector in the open market. The image of cooperative is the next challenge. Cooperatives are democratically governed by members and must, therefore, be transparent. Unlike the private sector, cooperatives are vulnerable because even the slightest mistake they make is open to criticism by members and hence known by outsiders as well. This unwittingly created a wrong image of the cooperative sector because problems are easily exposed and cooperatives are perceived as weak and problem-ridden organisations. The private sector is much more contained because they do not expose their mistakes unless they are forced to do so when are legally investigated.

"The other challenge facing agricultural cooperatives is the relationship with the government. Governments in most developing countries usually play a dominant role in the development of agricultural cooperatives. They traditionally take the initiative to establish the legal framework and to undertake registration and supervision of agricultural cooperatives. Inasmuch as their national mandate includes food production and security, governments unwittingly pump in more technical and financial resources than is necessary with the *misguided notion* of accelerating the development of agricultural cooperatives. This notion of expediting growth is more often than not accompanied by excessive bureaucratic interference and control. It typically results in negative over-dependence on government funding, and eventually inhibits cooperatives from achieving self-reliance. In a way, the most formidable challenge before agricultural cooperatives rests in their ability to evolve a mutually acceptable, but balanced, framework for interacting with the government. Some practical arrange-

ment will have to be devised, and put into practice, if only to pave a way for orderly growth and development of viable, democratic and high performing rural cooperatives.”

### **Challenges before Farmers’ Organisations**

The present day agricultural cooperatives in the region, particularly in the developing countries, are faced with several challenges vis-à-vis the multinational companies and other business interests.

The membership of a majority of these cooperatives consists of small, marginal and resource-poor farmers. They have no bargaining power as individual units. Their sole objective is to produce more and market more to meet their consumption and production requirements. They cannot invest in high-tech farming. In this endeavour they expect: timely supply of fertilisers, farm chemicals, farm extension, farm credit, irrigation facilities and marketing intelligence. In increasing farm production chemical fertiliser alone is a contributory factor up to 40-50%. India happens to be self-sufficient in chemical fertiliser to the extent of 80%, and is the third largest producer and user after the United States and China. Farm production level is, however, among the lowest in the world. The IFFCO holds 13% market share and, cooperatives, as distributors of the material, is around 31% as compared with other outlets. Primary agricultural cooperatives in the country satisfy almost 50-60% of farm credit requirements, although farm extension services are grossly inadequate. In other countries of the region chemical fertiliser production rests in the hands of either the State or private enterprises. Agricultural cooperatives have, however, generally been used as distribution points.

The challenges faced by agricultural cooperatives in developing countries in the face of globalisation and open market systems can be classified as under:

- Need to improve professional management skills of those who provide advisory or guidance services to cooperatives and of the managers and some key members of primary level cooperatives;
- Establishment of a marketing intelligence system within the Cooperative Movement to enable the farmer-producers follow market trends and plan their production and marketing strategies;
- Assured supply of farm inputs [quality seeds, chemical fertiliser, farm chemicals, credit and extension services];
- Establishment of business federations through cooperative clusters to undertake primary agro-processing, marketing of local products and to cover financial requirements;
- Be aware of quality controls and standardisation of farm products to be able to compete effectively in the open market;
- Participate in efforts to conserve natural resources, which directly and indirectly, positively influence farm production and rural employment.
- Need for providing information to the farmers and farmers’ organisation on the implications of restructuring, globalisation and WTO agreements.



To meet the challenge, farmers need to organise themselves or they will be organised by the market forces. They would find themselves increasingly vulnerable. Agricultural production technology may have some small-scale bias, but processing, storage and marketing lean towards large scale. With liberal policy framework and the need for integration, the situation would soon change. This situation gives virtually very few options to farmers: decentralised, independent and small-scale production with uncoordinated arrangements for processing and marketing would eventually lead to either decentralised, independent and small-scale production with coordinated arrangements for processing and marketing or large scale, centralised production integrated with processing and marketing. The latter is more likely to happen and there is not much that anyone needs to do about it. There is a need to organise farmers and coordinate their small individual efforts in production and integrate them with large scale processing storage and marketing.

In the light of the discussions above, the following main points would summarise the systems prevailing in the field of agricultural cooperatives in the Asian region:

01 Agricultural cooperatives are functioning in all countries of the Region in one form or the other. The most commonly visible form of organisation is the agricultural credit cooperative at the village level undertaking the minimum task of disbursing production credit once a year without much of follow-up work concerning its utilisation or repayment. Other forms are marketing cooperatives, multipurpose and multi-function agricultural cooperatives and single-purpose [single commodity] agricultural cooperatives. They have their own federal structures, in some places, two-tier and in some three-tier and even four-tier.

02 Doing agricultural-related business in other forms than the agricultural credit cooperative has also shown some successful results. Multipurpose cooperatives in Korea and the single commodity cooperatives like the dairy and sugar cooperative in India are some outstanding examples of success. They have been fairly successful and have very well responded to meet the social and economic needs of their members and the community at large. In a majority of countries agricultural multipurpose cooperatives or service cooperatives have not yet branched out into other activities than merely disbursing credit or supplying some fertilisers and farm chemicals. This is mainly due to lack of initiatives, funds and restrictions placed on them by prevailing laws.

03 Credit and input supplies dominate the cooperative business. Loans without adequate supervisory follow-ups have resulted in mounting overdues. The agricultural input supply, mostly as agency business, is keeping many a cooperatives out of the red. They tend to thrive on commissions earned by them.

There are two types of credit, namely, institutional credit and non-institutional credit. The first one is provided by the state such as government departments, commercial banks and cooperatives. The second one is the informal system of obtaining credit from the private trader and the moneylender. Somehow there has been a gradual increase of rural indebtedness notwithstanding all efforts taken by the state to redress it. The role of private moneylender has increased in spite of the exorbitant interest rates levied by him. The drift towards non-institutional credit demonstrated the weaknesses of the state-sponsored credit systems.

These were the results of inherent difficulties, red-tapism, built-in delays in disbursement of credit. Officials who manned those state sector credit institutions often were insensitive to the plight of the people to the extent that their attitudes have turned the people away from the credit institutions to be received warmly by the private moneylenders.

The weakness displayed by the cooperatives in providing rural credit are not problems of the cooperative system but largely the results of policy announcements, and rules promulgated by the banking sector. Cumbersome procedures such as numerous forms filling and repeated visits to the credit institutions discourage the rural people. To overcome such problems some corrective steps were taken by the multipurpose cooperatives in Sri Lanka by setting up rural banks as their business activities. Cooperative rural banks are expected to perform the following functions: granting credit to the members of cooperatives for a wide variety of purposes, within the approved limits for each purpose; accepting deposits from members and non-members; provision of pawn broking facilities to members and non-members; linking credit with marketing. In the case of Sri Lanka, the main source of income of rural banks is the interest received from pawning advances. Their administrative costs are fairly low as a small staff manages these units.

04 Marketing too is mostly a common agency business either as an agency of the government or of a corporation or a company. Cooperatives do not wish to take any other business risks. Agency marketing is responsible for the economic survival of a large number of agricultural cooperatives in many of the countries in the region.

05 Infrastructure such as storage, transportation, grading, processing and packaging for adding value to the agricultural products is inadequate except in case of certain commodities and a few multipurpose cooperatives. Outstanding examples in the field are available from Japan and India.

06 Dearth of adequate working capital for cooperative business is a common phenomenon. Capital formation process is rather weak while mobilisation of savings, as a deliberate policy, is uncommon. This trend has forced the cooperatives to look to external agencies for operational and developmental capital, which is expensive and difficult to obtain. By making use of such a capital the cost of production goes up which poses severe marketing problems. Very weak efforts have been made to generate capital through savings and voluntary deposits programmes.

07 Continued heavy dependence on government for agency business, subsidies, grants and infrastructural development has resulted in widespread infringement on cooperative autonomy. This has, in fact, become a very welcome invitation to the governments to control the agricultural cooperative institutions.

08 Cooperative business is influenced more by government policy directives or by dominant leadership rather than by the collective and expressed will of the cooperative members. In a few countries, governments have participated in the share capital of cooperatives at different levels. Some of the cooperative have been enjoying 'monopolistic status' at the cost of their own autonomy. Although they have a very wide spectrum of objectives and business activities yet they tend to confine themselves on carrying out monopoly business thus not providing services to a majority of their constituents.

09 Members' participation in cooperative activities [organisational and business] is weak and the leadership is generally not interested for such a thing to happen due to selfish reasons/motives. Member participation programmes launched by various promotional apex organisations are generally out of tune, influenced by low financial resources and thus not effective. A majority of the members are not aware of their rights and duties. There is a very wide communication gap between the leadership/management of cooperatives and their members.

10 There is no systematic planning done by primary agricultural cooperatives based on facts and figures or on the needs and requirements of members either half-yearly or yearly. The concept of advance planning does not seem to exist at the primary and secondary level. This function seems to have been taken over by the government cooperative department because it is they who fix the targets for the cooperatives to achieve.

11 Barring a few exceptions, professional management is non-existent. Most of the managers in large-size cooperatives are either civil servants on deputation or staff members who by their seniority have risen to managerial positions. There is no process of building professional cadres who could take over from the civil servants upon their reversion to their parent departments. In a large number of primary agricultural cooperatives managers are seldom consulted or invited to Board meetings. All the decisions are taken by the Board and then handed over to the managers for implementation. The decisions so taken are not transparent and do not bring good economic returns to the cooperatives. Someone else enjoys the fruits.

12 Despite several decades of functioning, agricultural cooperatives in Asia are, by and large, dependent for their survival on government assistance or on the support of agencies outside the Cooperative Movement. Dedicated, well-motivated and enlightened cooperative leaders and managers of the type of yesteryears have not emerged.

13 In a majority of countries of Asia, staff training and members' education is vested in the promotional cooperative unions which often lack resources. They, therefore, are unable to provide the required professional training to the staff of weaker cooperatives. Using other institutions is expensive for small-size cooperatives.

14 Although women and youth contribute a substantial portion in the products of agricultural cooperatives, they do not have corresponding representation in the management of primary level cooperatives. Except for a few exceptions, the representation of women in the Boards of agricultural cooperatives is hardly 5-10%.

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*"It is sometimes doubted that efficiency and democracy cannot go together. This doubt cannot command general validity and acceptability. The experience is that when democracy is exercised in its true spirit, it enhances efficiency."*

## Chapter-V

### Development Issues Confronting Agricultural Cooperatives

Some of the key development issues confronting the agricultural cooperative sector in the Asian region can be identified as follows:

01 *The Question of Identity:* Throughout the Region, except for a few exception, agricultural cooperatives have not been able to establish their identity. Identity is based on good performance through delivery of quality services and in time, quality products and some mark of identification. It demands a lot of public relations efforts through personal contacts, print and electronic media, displays and exhibitions. Individual cooperatives of small size are unable to do this. The role of sectoral business federation thus comes into a sharper focus. Dairy cooperatives in India have been able to develop their own symbols, the major being the "AMUL" which indicates the high quality of products. The entire agricultural cooperative system in Japan promotes and distributes its product under the brand name of "JA" which the consumers feel indicates freshness and high quality of products. Such efforts have been realised by having the collective power of the sectoral business federations based on strong and consistent quality policies.

02 *The Question of Subsidies:* In many countries, including the developed ones, the governments are providing a large amount of funds to subsidise the cost of farm inputs e.g., fertiliser, irrigation, seeds etc. Added to this is the exemption from income tax on agricultural income. In the formative stages of various nations of Asia such incentives were necessary in order to encourage higher production of foodgrains, but in the context of today's open market practices these subsidies are adding unnecessary burden on the tax-payers without bringing any significant advantages for the agricultural cooperatives as such. On the contrary the agricultural cooperatives are finding it difficult to compete effectively with the open market. However, in recent years the subsidies are gradually being reduced or even liquidated although there have been strong protests from the farmers. On the other hand, some of the developed nations have resorted to 'dumping' of their surplus products which, in fact, are the products of their own methods of giving subsidies to their farmers. This system brings down the prices of local farm products. The farmers in developing countries tend to suffer huge economic losses and have, in many instances, disbanded their farms.

03 *The Question of Ineffective Linkages:* In a number of countries there are very little

efforts made on integrating the activities of agricultural cooperatives with other agriculture-related operations e.g., agricultural credit institutions, marketing institutions, warehousing arrangements, weak linkages with affiliates. Secondary level cooperatives [federations] hardly do any significant business dealing with their down-the-line member-cooperatives e.g., in Indonesia, for instance, the Puskuds do not try to provide any marketing services to their affiliates.

One of the reasons for the weakness of the agricultural cooperatives is the ineffectiveness of the apex organisations. The apexes have a limited function and do not provide the desired back up support. It should be the responsibility of the apex to engage in trade both local and foreign in a more organised scale, enter into forward contracts, search for markets and create market opportunities. In addition, the processing and value-adding should also be the responsibility of the apexes. Once this is accomplished at the top, the primary societies will fall in line as their agents and activities at the base level will increase significantly.

04 *The Question of Inadequate Capital Mobilisation.* Agricultural cooperatives having been used to government support in the form of subsidies, grants and cheap credit, hardly undertake any capital mobilisation programme to build up their own funds. There is a general fear that deposits in cooperatives are not secure and the interest paid on deposits is lower than in the banks or in the open market. This is yet another reason for the cooperatives to continue to be dependent upon the government for funds and other support.

05 *A Policy on Supervised Credit Needs to be Followed.* Because of laxity on the part of the lending institutions due to certain reasons, a firm policy needs to be seriously followed on the supervision of credit granted for agricultural production purposes. The financing institutions should see to it by themselves or through the cooperative that the loan is utilised for the purpose it was extended. The government should enact certain laws which make the lending institutions responsible not only for the recovery of overdue loans but also its use for the purpose the loan was extended. Poor loan repayment by the members has been a chronic problem with cooperatives often resulting in blocking or delaying the processing of loans at various levels. In spite of concepts of supervised credit and recovery through social and group pressures, the actual supervision of loans at the stages of processing, issue and utilisation was mostly perfunctory and superficial resulting in poor recovery. Loans or interest thereon due by members of agricultural cooperatives are often remitted by the government in various areas on grounds of natural calamities etc. [even without providing for compensation]. Such remissions undermine repayment 'discipline' of members and seriously affect recovery of loans not only in those particular areas but also in other localities as well.

06 *The Question of Overdues:* In the background of overpopulation, lopsided economic development, prevailing poverty, ever-increasing high costs of agricultural production, inadequacy of infrastructure, improper linkages of marketing of agricultural produce with credit, pressure from the respective government on the financial institutions to extend credit to the farmers, it can be clearly seen that the repayment capacity of the farmer is diminishing. The problem is further aggravated with an almost non-existent supervision on credit, inability of lending institutions to effect recoveries because of certain hesitations from the

government, previous frequent experiences of loans being written off due to political considerations, inappropriate systems applied in the calculations of floor prices, the borrowers have become 'wiser' to maintain silence when the question of recoveries comes up. In India alone almost 50 to 55% is stated to be the overdues position. Because of such huge amounts outstanding and which become unproductive, the banking institutions have been facing serious cash-flow difficulties. The situation is the same in Bangladesh, Indonesia, Sri Lanka, Pakistan, the Philippines. In Japan, because of certain moral norms and discipline, the overdue position is not so serious. The sector there has the problems of low interest on deposits and high accumulated surpluses. If such a situation is allowed to continue in the rest of the countries of the region there would be further accumulation of overdues which might, at one point of time, even strangulate the Movement itself. The cost of production of agricultural products would rise and very high inflationary tendencies might pose serious problems for national economies.

07 *Purpose and Functions of Audit should be Objective and Not to find Faults:* A cooperative society is different from a joint stock company. While a company is a profit-making concern, a cooperative is a service concern. It is both a commercial as well as a social organisation. The purpose of 'audit' in a cooperative, therefore, is somewhat different than what is generally understood by the term audit in a commercial concern. In a cooperative society the activities of the society are not carried out to earn profits only but to promote the economic welfare of its members. The purpose of audit, therefore, is to find out the real effect of the transactions i.e., the extent to which these have been able to satisfy the economic needs of the members so as to promote their economic well being. The purpose of cooperative audit can be best stated in the words of the Committee on Cooperation in India set up by the Reserve Bank of India: "It should embrace an enquiry into all the circumstances which determine the general position of the society and aim at seeing that the society is working on sound lines and the committees, the officers and the ordinary members understand their duties and responsibilities."

The purpose of the cooperative audit is four-fold: i] to ascertain the correctness of accounts; ii] to detect and prevent errors and frauds; iii] to examine whether the affairs of the society have been carried out in accordance with the Principles of Cooperation and the provisions of cooperative law; and iv] to assess the extent to which the condition of the members has been improved by the activities of the society.

08 *Building Access to the Means of Production [including Micro-Credit]:* Barring Japan, Korea and, to some extent in India, means of production, especially in the agricultural sector, have been rather traditional. Even in the agro-processing sector, cooperatives except in Japan, have played a low-key role. The key to the success of agricultural cooperatives in Japan has been "value-addition through agro-processing" coupled with the application of the concept of joint buying, joint purchasing and joint-use facilities etc. In India, in some pockets of success, cooperatives have succeeded through value-addition. This is particularly true of dairy cooperatives in India where farmers were provided with technical information through a network of extension workers and development of local leaders. It has been found that in the Kaira district of Gujarat, dairy farmers were able to increase milk

production by 50-70% by adopting simple means e.g., animal care, balanced cattle-feed, rural sanitation, education of women, improving the breed of local cattle. Similarly, food production in India, Indonesia, Thailand, Vietnam went up through application of very simple means e.g., balanced fertiliser application, pest control measures by using local materials, bio-fertiliser, locally-developed quality seeds, better water management, simple farm machines, farm extension and by adopting simple post-harvest technology.

The regional experiences indicate that the farmers need access to the following means to increase production: Better quality seeds and farm chemicals; Timely supply of chemical fertiliser at cheap price; Easy credit; Effective access to market; Dependable supply of water and power for farm operations; Intensive and extensive farm extension services; Market information; and Opportunities for adding value to produce e.g., agro-processing etc.

The farming community lacks scientific market information. They depend mostly on their limited sources of information, which are often erratic. There has been no systematic marketing information system reaching the farming community. This can be accomplished by the cooperatives which would, in turn, help the farmer to plan out their production programmes. There are a few cooperatives handling non-perishables which have successfully provided this service.

It is, of course, impossible for the individual farmers to harness all these services because of their unsatisfactory economic situation. In the case of Japanese farmers, they have been able to afford, thanks to the subsidies provided through agricultural cooperatives, a host of farm machines and farm-related infrastructure e.g., country elevators, paddy incubators, agricultural experimental stations etc. Governments have to come forward to develop related infrastructure and to provide for adequate incentives and resource supplying institutions. Governments are to ensure that proper and sufficient credit facilities are created for cooperative members and others. It is expensive for the members to obtain loans from the commercial banks at prevailing market rates. And the cooperatives do not have sufficient funds of their own to extend the needed loans.

The cooperatives, in order to provide opportunities for the members to have access to the means of production, should: Mobilise capital from their internal resources by soliciting deposits and by offering the depositors the prevailing market rates; Create own financial institutions in the form of cooperative-owned companies; Enter into joint ventures with domestic or foreign private enterprises [thus solving their capital and marketing problems]; Enter into joint purchasing, joint-use facilities and joint marketing activities among themselves or with other enterprises; Ensure that small or poor members get small credits to continue with their profession.

09 *Adopting Amalgamation Methods to Achieve a Higher Economic Viability.* The process of amalgamation or consolidation of smaller cooperatives into viable and economically strong cooperatives has proved that small cooperatives do not serve the members well enough. The concept of one-village-one-cooperatives is no more valid. However, looking at this process from another angle, the attachment and the feelings of an individual member to his small cooperative were stronger than his being reduced to a member of a branch of a

large multipurpose cooperative. It has been argued that in India alone almost 46% of the primary cooperatives are either defunct or exist just on paper. They hardly serve any purpose. Their resources are small and the membership large. It is necessary that such cooperatives should be weeded out by de-registering them or by amalgamating them with stronger cooperatives. Another view is that weak and ineffective cooperatives should be revitalised by the process of member education, training and incentives.

In Japan, Korea, India, and China a large number of smaller cooperatives were clubbed together to form more economically stronger cooperatives with branches. The MPCs of Sri Lanka are also a case in point. The process of amalgamation of agricultural cooperatives in Japan has produced a number of lessons which are of significance and relevance for the rest of Asia [see Annexure-II].

In some of the countries in the region in certain fields cooperative federations have been organised mainly for the purpose of helping the development of marketing. The objective of such federations has been to develop a collective bargaining power in favour of the producers to obtain higher prices, undertake large-scale operations and pool resources. Several such federations have done exceedingly well. They had grown from very simple operations e.g., marketing of produce on commission basis, supply of seeds and fertilisers, provision of warehousing and storage facilities, to into large and complex operations like procurement of a large variety of farm products, grading and processing them, and undertaking large-scale internal and foreign trade. These federations have also provided economic and technical support to their constituents. An amalgamated cooperative thus becomes a sound basic element for the successful operations of a sectoral business federation.

10 *Planning for Long-Term Goals is Needed.* In several of the countries agricultural cooperatives do not resort to any kind of perspective planning. This job is done for them by the government through the cooperative department which fixes the targets that a cooperative has to achieve. A cooperative should be able to develop its own annual plans and for this purpose some training programmes for leaders and managers should be instituted. Perspective plans should clearly spell out when and what quantity of inputs are needed and how should be the payments made and loans recovered. In order to develop economic plans certain baseline data and field information has to be systematically collected, processed, analysed and the information utilised for development purposes. This thinking has not yet developed among leaders and members of cooperatives in the region except, of course, in Japan and Korea. Proper monitoring and evaluation systems need to be developed and applied for the benefit of primary and upper level cooperatives. A proper planning is usually an indicator of 'self-help and self-reliance' potentials of an organisation.

11 *Training and Development Needed.* Agricultural cooperatives are engaged in a specialised task which is of great significance to national economy. Value-based professionalisation is necessary. There is also a continuing need to create effective local level leaders. These are possible only through continuous training and development exercises and programmes. Internal management training programmes are thus important. Such programmes are not undertaken by the agricultural marketing federations since it is considered that these responsibilities rest with the promotional unions, and these unions tend to



be generalistic because of their very nature.

12 *Management Consultancy Services for Agricultural Cooperatives Necessary.* Just as in Japan where the institution of 'farm guidance and better-living' is an integral part of the cooperative activity, agricultural cooperatives in almost all the Asian countries could develop management consultants who could assist and advise the cooperatives as and when needed on various business, legal, management and development issues. In addition to the assistance and advice to cooperatives from the department of cooperatives, there should be other consultants who are duly trained in the field of management consultancy.

13 *The Question of Government Controls:* These controls have become apparent in the region in various forms viz., controls through participation in share capital of cooperatives, participation in the management of cooperatives, assuming the role of the members of cooperatives etc. So far as the participation in the business of cooperatives by government is concerned it is understandable. For a cooperative it does not matter who is the customer – an individual or a government. It is a pure business deal. It becomes an entirely different matter when the government participates in the share capital of a cooperative.

Government loans, grants and other forms of credit are also understandable because these are business deals. Participation in the share capital is somewhat irrelevant and contrary to the Principles of Cooperation. Once the government participates in the share capital it becomes the part-owner of the cooperative thus assuming the role of employer, director and management. On the pretext of safeguarding the application and monitoring the utilisation of government funds, governments have appointed senior level directors and managers in a large number of national and provincial agricultural federations in India. A large number of dairy cooperatives are managed by officials seconded by the government. In a majority of cases, again in India, boards of directors have been superseded, thus assuming the role of members of cooperatives. The decisions are made by the government on behalf of the members on the pretext of 'safeguarding the interests of basic members'. The democratic control principle is thus not honoured. Such instances have strongly eroded the belief among the general membership that agricultural cooperatives are not owned or controlled by the members, but they are the government agencies or enterprises or undertakings of the government.

In this context it is important to have a look at the authority and functions of the cooperative department. The department should be so positioned that cooperatives become autonomous, member-controlled and member-owned institutions rather than be their subordinates. The role of the department should largely be that of a facilitator rather than of a regulator. The department should be legally barred to exercise the powers that affect the autonomy and identity of cooperatives as democratic institutions. To create favourable atmosphere, cooperative law should be in conformity with the ICA Statement on Cooperative Identity. It should facilitate cooperatives to compete efficiently in the market. It should also give greater autonomy to cooperatives.

14 *The Question of Low Member Participation:* In almost all the countries participation by members in the affairs of their cooperatives is considerably low. Due to the presence of

the government in the capital and management of cooperatives, ordinary members feel hesitant, distanced and ignored. Their participation remains symbolic. Several reasons have been cited e.g., because of excessive participation of government in the affairs of cooperatives, members feel that they had nothing to do with them, and the women are not taken as full members due to some legal provisions and cultural traditions. Another reason is that cooperatives are used by the State as a means of procurement of foodgrains for national foodstocks and with that ends the activities of the cooperatives or the obligation of the government. Because the work of procurement is heavy and demanding, the cooperative has left no time to think about the welfare of its members and the community. Another reason is the 'declining image and goodwill' of cooperatives because the cooperative values have not been honoured by the management and leadership of cooperatives, so the members feel indifferent. Yet another reason is purely selfish – take the production loan from the cooperative when needed and pay it in cash or kind at the time of harvest only to that extent and sell the rest elsewhere at profit. The members get the cheapest credit through the cooperatives but its intrinsic value is lost because there is no real supervision on the credit extended. Thus the funds are diverted to consumption purposes.

15 *Arresting Large-Scale Migration of Farmers to Urban Areas through "U-Turn"*: Because of industrialisation and the multi-facet attractions of cities, a large number of farmers [young and old] migrate to the cities in large numbers thus thinning down the membership of agricultural cooperatives and leaving farmland uncultivated in the villages. They consider farming as hard, less attractive, dirty and less rewarding. As a consequence, the agricultural production falls and the fabric of rural life damaged. Old and infirm people, children and women are left behind to fend for themselves resulting into serious social problems. Such problems are seen more prominently in Japan, Korea, India, Indonesia and Pakistan. This trend needs to be reversed. Agricultural cooperatives have to introduce innovations to lure these farmers back to the rural fold. The Japanese agricultural cooperatives have introduced several innovations which encourage the process of "U-Turn" and reignite the interests of farmers in the honoured profession of farming. Some of the innovations are: planning agriculture for higher and sustained income, leasing out the land to those who would like to do cultivation as a hobby or to generate some additional income for themselves, encouraging farmer-customer relationship by organising morning or road-side markets, managing real estates, support in filing income tax returns, old-age home, child nurseries, green tourism, better-living activities through the organisation of women's association and creating interest groups, providing infrastructure support to the farmers thus assisting them in marketing of their produce, encouraging agro-processing at the local level by making use of locally-grown and locally-available material, etc.

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*"It is, no doubt, true that the small cooperatives face certain problems of economies of scale, but in spite of this handicap, there are small societies which demonstrated their competitive strength because of the cohesiveness and commitment of the small group. The important aspect is who and where the exploiting rival is!"*

## Chapter-VI

### Conditions Necessary for The Success of Agricultural Cooperatives

Experiences of agricultural cooperatives and the results of various studies have identified several factors which are responsible for the success of agricultural cooperatives. These are:

- Cooperatives are member-driven, member-controlled and member-responsive organisations;
- Cooperatives are efficiently managed by trained and professionally-qualified staff under the supervision and control of democratically elected boards of directors;
- Cooperatives have integrated their operations with the needs of their member-households;
- Well-integrated vertical structures of cooperatives exist and these provide support in order to enable the base level cooperatives to effectively and efficiently service their individual members. The federal cooperatives provide advisory services, technical know-how and back-up support services;
- Cooperatives undertake comprehensive programmes for member education in order to facilitate the process of members' participation, members' involvement and empowerment; and for training of staff and members of boards of directors;
- Cooperatives undertake value-added operations; choose, assess and employ appropriate but advanced technologies; and forge forward integration in order to gain competitive advantage in the market-place;
- Cooperatives establish viable and strong linkages with external research and development/extension agencies in the field of agriculture and technology;
- Cooperatives strive to become self-reliant, accumulate capital and develop other resources in order to remain free from all external controls and directions; and
- Cooperatives are open, ethical, caring, and socially-aware institutions. They display social concern in their business operations and in their relations with customers, employees and members, and the community at large.

### **The Integrated Approach**

The integration of cooperative activities in the Cooperative Movement could enhance economy of scale. However, this is possible only if the primary cooperatives are strong. The experiences in the Asian countries show that Cooperative Movements, which have resorted to merger, consolidation and amalgamation at all levels, have become more stable and self-reliant. In some countries, the cooperatives shifted from the three-tier to the two-tier cooperative structure and at the same time they merged and consolidated their primary cooperatives. In other countries, they merged and consolidated at the primary and secondary levels where both receive vertical support from the national level. In this structure, the integrated activities are not overlapping as the primary, secondary and tertiary cooperatives have their own defined role. The problem arises when this discipline is not respected, and when the secondary level cooperatives begin to compete with their own affiliates. Instead of competing with the affiliates, the principle of collaboration and mutual economic benefit should be adopted.

### **Value-Addition through Agro-Processing**

The term agro-processing, in fact, means establishing processing activities to handle the local produce of the basic farmers with a view to generate additional or higher economic returns to them. It means to reduce post-harvest losses, check outflow of rural population to urban centres, offer remunerative prices to basic producers, help transfer improved/advanced technology to rural areas, industrialise the rural areas, generate employment opportunities, help improve productivity, help develop specific commodities through greater soil treatment and appropriate application of fertiliser, bring recognition to the progressive and innovative initiatives of the farmers etc. Agricultural cooperatives happen to be the most appropriate agencies to establish and operate agro-processing industries as they have the distinct and unique advantage of their close connection and support of their farmer-members. However, in many countries, they seem to have missed the bus. Private enterprises are gradually installing agro industries in rural areas to take advantage of low-priced raw material.

Post-harvest losses among fruits and vegetables are the highest in India, around 20-25%, mango alone 17%, and the potato and onion almost 20%. India holds first ranking in the world on highest production area in terms of pulses, coarse grains, cereals, rapeseed, castor seed. India also happens to be the largest producer of millet, pulses, beans, castor seeds, sugar, mangoes, bananas, tea, jute and milk. India is the second large food producer in the world, next only to China. However, in terms of yield kg/ha Indian farm technology needs immediate attention and up-gradation e.g., wheat (42nd ranking in the world), coarse grains (129th), potato (57th), pulses (123rd), beans (95th), soyabeans (61st), grapes (2nd), tea (15th), milk (102nd), onion (76th) etc. Of course, there are many factors which influence the yield. Nowhere there are common factors. So India is no exception. Potentials for growth for India are, however, many.

In spite of India having 169 million hectare of arable land compared with 188 million in the whole of Asia, east of India including China, it is China which is the largest producer of

food in the world with an output of nearly 853 million tons of food - 40% more than of India. China achieves this production on just 60% of land area of India. India, on the other hand, produces 601 million tons of food. The value addition to food production is only 7% in India compared with as much as 23% in China, 45% in the Philippines or 188% in the United Kingdom. Cooperatives are extremely important in perishable foods such as dairy products and fruits. And while India has one of the best dairy development movements, cooperatives have a limited presence here. Cooperatives are needed to check exploitation of farmers, especially because they deal in perishable items and may not get a good bargain.

Although dairy cooperatives are among the country's largest food players, they are still responsible for only 15% of India's milk production. Dairy cooperatives, with the exception of Anand in Gujarat, have gained relatively low profile because of politicisation and mismanagement. Large investments are needed for making this sector thrive and for strengthening procurement, distribution and retailing as well as introduction of new technologies to help achieve this. There is an urgent need also to improve management systems which call for no interference from the government, politicians and extensive training and development of managers.

In an integrated agricultural cooperative, member-farmers' income is expected to increase by: i) production enhancement activities (better seeds, chemicals, practices etc.); ii) cost saving activities (bundle volume purchases of inputs etc.); iii) loss prevention activities (better packaging, storage, transport and marketing); and iv) value-adding conversion into other products through industrial interventions, and gains due to various welfare activities.

It should, however, be noted that value-addition does not take place through undertaking processing activities alone. Marketing plays an important role as well. Marketing of graded, properly packed semi or fully processed products still adds some more value than the marketing of basic material. The JAs [JA stands for Japanese Agricultural Cooperatives] have been able to establish 'on-line' contacts with farmers, farmers' groups, financing agencies, wholesale markets, major bulk buyers and consumer groups. For that matter, no agricultural cooperative can survive and bring benefits and services to its members if it is unable to market the produce of its members. Members want to sell their produce as fast as possible, and take the money home. It thus becomes the responsibility of the cooperative to assist the farmers in not only selling the members' produce but also selling it with advantage. In India, no milk cooperative refuses any type of milk that is delivered to the cooperative by the members. In Japan, also the agricultural cooperatives do not refuse the products of farmers.

Cooperatives have, therefore to be on an alert look out for markets and means of marketing the products of their members. The development of value-added agro-processing industry motivates the farmers for improving productivity and further opens up possibilities of industrial development. The basic requirements are sound marketing, modern technology and quality control. Adherence to the concepts of joint buying, joint marketing, joint use of facilities, joint use of capital and entering into contracts with private enterprises also help boost value-addition capabilities. Based on the integrated agricultural cooperative marketing network, agriculture can work as the biggest safety net in the process of adjustment by

softening the rigors of inflation as well as by raising income and employment for weaker sections of the society in the Region.

### **Cooperatives and Members' Expectations**

The members should not run after their cooperatives to provide them with services and facilities - it should be the cooperative which should, on its own, be keen to offer a variety of services and facilities to its members. Member is a radiant factor from which the power of agricultural cooperatives emanates. Member is the key and the main source of economic strength of the cooperative. Member should not feel that he is dependent on the cooperative. He has several other options which may not be so economically attractive for him. It is the cooperative which should be dependent on the member. It is often heard that cooperatives do not do enough for their members - it should be the members who should, in fact, complain that their cooperatives do not do enough for them. For the cooperative, the focus should be on the member and his business potentials, rather than on itself.

Farmers need money and that money has to be a reasonably good return for the investments made. To secure returns, two factors are very important: value-addition and marketing. The process of marketing is more difficult than that of production. It requires an intimate knowledge of market trends. It should be scientific and well-organised, otherwise the farmer runs the risk of not getting the full value of his produce and the investment made. In cases where cooperatives are not able to respond to the marketing needs of the members, middle-men thrive and the farmer-members get sucked into the vicious circle which the cooperatives are supposed to eliminate.

Farmers need guidance, assistance and leadership. At the grassroots level in a majority of Asian countries, the farmers often lack of enlightened leaders who are capable of providing genuine support. Many of the progressive members shy away from taking up positions in the Board or in other functional committees. They lack confidence. They need encouragement. For them it is their agricultural cooperative which should provide them not only with the inputs and services but also guidance and extension. For a primary society to succeed not only one but several requirements must be satisfied in order to create a situation conducive to the formation and growth of a viable cooperative institution in addition to securing the goodwill and confidence of their members. Some of these conditions are:

- *Awareness, realisation and felt need* among the prospective members, beneficiaries of the services of a primary cooperative as a means of improving their economic situation;
- *Basic knowledge* of the Principles of Cooperation and a basic understanding of the 'mechanics' of operating a cooperative society among the members and leaders;
- *Honest local leaders with unblemished integrity* possessing the necessary knowledge and understanding of the Principles of Cooperation and the values attached to these Principles;
- *Honest and competent staff*, adequately remunerated to run the day-to-day business of the agricultural cooperative;

- *Adequate base/volume or potential* within the area of operation to sustain viable business operations and to provide economic incentives to the members;
- The existence and access to a *functioning market and marketing structure*; and
- *Cooperative legislation* recognising the Principles of Cooperation as defined by the ICA allowing the cooperatives to function as independent, democratic and member-led cooperative business organisations.

As has been amply demonstrated by the JAs, the basic constituents of integrated rural [including cooperative] development are:

- Agriculture proper - cultivation of wet, dry and commercial crops including development and shaping of land;
- Agro-services including supply of inputs, credit, storage and marketing;
- Agro-industrialisation - rice milling, flour mills, oil mills, cotton ginning and processing units, dairy plants, sugarcane factories, fruit preservation units, agencies to produce and service agricultural implements, blending of fertiliser for local use for special local crops, plant protection, insecticides etc.;
- Allied agricultural activities including horticulture, dairy development, dairy/beef-cattle development, sericulture, sheep breeding, poultry, piggery and fish culture;
- Economic overheads for agricultural development e.g., irrigation, rural electrification and rural communication;
- Social overheads including school, adult literacy centres, health centres, veterinary centres, and vocational training institutions for women and youth, etc.;
- Land reforms and agrarian relationships;
- Village industry including handicrafts, handlooms, basket making and other traditional industries;
- Distribution of consumer goods through cooperative-owned retail shops, delivery trucks, members' groups etc.;
- Revitalisation of rural institutions like cooperatives, youth clubs and women's associations to expand and support better-living activities.

### **Lessons from the Field**

Based on the experiences of agricultural cooperatives at the primary, secondary and national levels in various countries of the region, including Japan, the following lessons can be derived:

- Government should give more importance and provide greater support to agriculture if agricultural cooperatives are to perform satisfactorily;
- Cooperatives would function well with least government intervention;

- Discipline contributes much to the efficient operation of cooperatives;
- Cooperatives should be non-political and self-reliant organisations;
- Complete trust and confidence is necessary for cooperatives to succeed;
- Cooperatives should be managed in a more business-like manner;
- Cooperative's guidance and active participation is valuable in the formulation and execution of farm production plans;
- Knowledge of scientific farming, provision of high quality inputs such as seeds, and mechanisation are important factors for enhancing productivity;
- Technological innovations that are pertinent to the changing needs of agriculture and the environment should be promoted;
- Introduction of new technology and methods of production are needed to develop agriculture;
- Cooperative should provide advice to farmers on crops to plant which earn them higher income;
- Regular dialogues among farmers, cooperatives and market authorities should be undertaken to resolve problems;
- Organisation should be led and managed by energetic, professional and dynamic persons;
- Improved packaging and marketing are important to enhancing the business operations of cooperatives;
- For success the farmers' orientation should be on improving productivity and quality;
- Business should be conducted in accordance with modern management principles;
- Agricultural cooperatives could be encouraged to participate as wholesalers in the market and hence, enhance the benefits of their members; and
- Good grading and packaging add to the final price of the product and enable efficient handling and distribution.

These lessons can very well form the basic guidelines for the leadership of agricultural cooperatives elsewhere.

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*"Ultimately the autonomy and independence from the State depends, to a great extent, on their efficiency, competence and progressive activities. If they have honest and forward-looking leadership and professionally competent management, government support will be more often forthcoming and it will not be easy for any government to intervene or interfere in their working."*



## Chapter-VII

### Food Security Issues and Agricultural Cooperatives

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

An informed debate within the agricultural cooperative sector points to the fact that there is a need to strengthen the relationship between farmers' organisations in Asian countries, and to seek appropriate ways to enhance food security among cooperative members and people in this region. Countries can no longer rely exclusively on their own production because the choice of goods would be far less and hunger would increase.

The linkages between trade, growth, employment, and poverty are not so clear-cut since each of these variables is influenced by other factors. In the message issued by the ICA to mark the 75th International Cooperative Day-1997, the contribution of agricultural cooperatives in food security issues was highlighted. It said:

*“In future years, much of the responsibility for meeting the nutritional needs of a growing population will fall upon farmers and their organisations, including cooperatives. Today, the force of agricultural cooperatives is already significant. They are responsible for nearly one-third of total agricultural production with an estimated value of US\$ 522 billion. They are key actors in many national economies providing large percentages of domestic food products, but are equally important as food exporters. They will increasingly be called upon to provide higher yields while respecting the environment and consumer food safety concerns.*”

"However, agricultural cooperatives are not the only cooperatives which contribute to food security. The multi-sectoral character of the Movement provides contributions to all aspects of improving food production and access. A common factor between them is that cooperatives help their members help themselves as joint-owned, democratically-controlled enterprises. Cooperatives provide income and employment and contribute to the development of communities. However, improving food security and achieving sustainable development must be part of a global process involving political and financial initiatives. It requires technical and educational actions and must be integrated into operational, coherent and innovative strategies."

### **Food Security is a Fundamental Requisite**

Food security has now become an important issue which is before the international community. Well over 800 million people are food insecure; almost 40,000 people die every day due to malnutrition. Food security is a fundamental prerequisite for maintaining the international order and socio-economic stability. Stable food availability at the national, regional and household level is a cornerstone of nutritional well being. Strengthening food production base is necessary for improving nutrition in most low-income and food-deficit countries. In addition, agriculture, including fisheries and forestry and related rural industries, provides income for the landless and their families, who are often among the most nutritionally vulnerable groups. Some of the most urgent problems to be addressed today are: the need to increase the productivity and living standards of small-scale producers and the disadvantaged; the need to maintain returns to producers that will enable them to adopt productivity-enhancing and labour-optimising technologies and the need to give adequate support to agriculture within development budgets which are already strained.

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

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

In urban areas where people purchase most of their food, the poor are vulnerable to food

price fluctuations, and to changes in employment conditions and in the level of their earnings.

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

#### **Slow Down in Farm Production**

The slow down in agricultural output is due to several factors. Some of these are: Limited availability of new farmland; reduced water resources; increased consumption of food-grains due to increase in population; depletion of world food stocks; pressure on food consumption among developing countries; adverse effects of environmental changes; lack of appropriate technologies in crop protection and inadequate post-harvest systems and facilities; unfair trading practices in international markets, and unfavourable international practices and regulations. World food production is also known to have declined due to unfavourable lending practices adopted by international lending institutions which often resort to arm-twisting of governments to adopt certain methods and strategies to qualify for loans. Some other factors which also influence food security are: shifting or unclear political decisions of various governments especially in developing countries, inadequate agricultural research and facilities, economic crisis, political instability, lack of incentives and proper planning for self-help and voluntary groups among farmers, shortage of farming population due to old age or due to lack of interest among the younger generation in agriculture, continued poverty again in developing countries and slow progress in the implementation of land reform programmes.

#### **The WTO & Trade Agreements**

The agreement establishing the WTO came into force on January 01 1995. In many ways, the WTO is different from its predecessor, the General Agreement on Trade and Tariff [GATT]. WTO members have to accept all obligations of GATT and other relevant agreements. The agreements constituting the WTO are multilateral in character and involve commitments for the entire membership. The WTO also incorporates the mechanisms of consultations, safeguards, fair-trading, disputes settlement and enforcement of settlements. Countries cannot veto judgements against them. It has also been found that until now most of the settlements reached under the banner of the WTO have gone in favour of developing countries. But still the powerful partners have been having their way. It is also assumed that the WTO agreements would serve the interests of developing countries.

The WTO provides a permanent forum for consolidation and negotiation on an ever-broadening agenda affecting global trade and investment in goods and services. The stakes in

international trade are high. It has been estimated that by 2000 world trade in merchandise goods and commercial services will exceed US\$8 trillion - or \$2 trillion more than in 1995. By then the WTO may have more than 130 member-countries, accounting for about 95% of the world trade.

Agriculture has been the main interest of the developing countries, and, therefore, in the near future trading in agricultural products will come under a sharper focus. It rests with the developing countries to watch their interests more carefully while entering into international trading agreements. It is also likely that questions like subsidies and patents will emerge.

#### **ICA/JA-Zenchu Asian Field Study**

With a view to seek relevant information about the organisational structure, business activities, policy directions and strategies of various national farmers' organisations and agricultural cooperatives, a regional field study was carried out by the ICA Regional Office with the collaboration of the JA-Zenchu [the Central Union of Agricultural Cooperatives of Japan], a member-organisation of the ICA, during the period April-June 1998.

The Study concentrated on seven [7] countries i.e., Bangladesh, India, Indonesia, Malaysia, the Philippines, Sri Lanka and Thailand, out of which Bangladesh, India, Indonesia, the Philippines were the member-countries of the IFAP-International Federation of Agricultural Producers. A total of 18 institutions - agricultural cooperatives and farmers' organisations were covered. In order to carry out fieldwork and writing of reports, seven resource persons were identified. Given below are the main conclusions of the Study.

#### **Main Conclusions of the Field Study**

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

- 01 Agricultural cooperatives and farmers' organisations have been deeply involved in the chain of food production, its processing and marketing, and their activities relating directly to the consumers as well as the producers;
- 02 The means of production, quality of farm inputs, quantum of farm credit, provision of education, training and extension, have not only been traditional but also grossly inadequate and antiquated;
- 03 The level of farm technology in crop protection [through crop insurance, farm extension etc.] and post-harvest [through application of appropriate technology etc.] needs extensive improvement to be self-sufficient in food production;
- 04 Although the governments have promoted a variety of farmers' organisations [agricultural cooperatives, farmers' organisations, farmer companies] their continuity of existence and sense of purpose has not been sustained enough. Such institutions are the closest to the farmer-producers and can play an important role in growing more

food for the people. Instead, they appear to have been used for achieving short-term political advantages [loan waivers etc.];

- 05 There is a virtual absence of 'agro-processing for value-addition' in the agricultural cooperative sector, which invariably has attracted private enterprises of all types, national and multinational, to enter the food processing sector;
- 06 Almost all respondents were unanimous on the following points:
  - 6.1 Establishment of infrastructure for enhanced food production has to be done by the government. Farmers, as individuals or their respective organisations, do not have the required capability and capacity. This infrastructure includes: farm roads, irrigation, grading, warehousing, shipment, electricity etc. Joint ventures are, however, a good possibility;
  - 6.2 With the opening of the market, as a part of WTO agricultural agreements, local farm production and local farmers would suffer if adequate safety-nets are not installed. In the absence of such safeguards, the developing countries might consequently turn into dumping grounds for the surplus products of developed countries at cheaper prices resulting into the collapse of domestic farming structures and farmers suffering losses;
  - 6.3 In order to effectively participate in the "consensus" exercise, farmers of developing countries need adequate and realistic empowerment through effectiveness and efficiency of their own organisations duly supported by the respective governments. There cannot be any 'consensus' among the unequal;
  - 6.4 For developing countries in the Asian region international agricultural trade agreements are not on a priority agenda. Increase in domestic agricultural production to cater to the home requirements, its processing and marketing within the region is more important to sustain the interest of farmers in agriculture and to avoid possible social and political conflicts;
  - 6.5 Farmers' organisations should have greater access to farm input supplies in sufficient quantities and at reasonable prices e.g., fertilisers, farm chemicals, improved seeds, through their local increased manufacture/production. A certain amount of subsidies are essential - developed countries also give incentives, concessions and provide subsidies to their farmers.
- 07 Food security cannot be ensured through imports alone. Self-sufficiency in domestic production is a security for itself. There is an urgent need for the international organisations e.g., the WTO and the FAO, and the national governments to earnestly review the implications of free trade in agricultural products and incorporate necessary changes to the advantage of food-importing and developing countries;
- 08 The region has a positive potential to produce food for others provided there are firm requests and agreements which are transparent, just and fair. Such arrangements should improve local technology, expand agricultural research opportunities, farm extension and develop professionalism in agriculture;
- 09 There is a strong need to initiate an intimate and sustained dialogue between the respective governments and a variety of farmers' organisations on one hand, and among the farmers' organisations themselves on the other, to discuss and understand the im-

plications of WTO agricultural trade negotiations with a view to overcome the anticipated problems which might arise out of such negotiations;

- 10 Countries which are prone to food deficiency either due to shortage of land but having farm experience and advanced farm technology e.g., Japan and Korea, increased population or other reasons should discuss food security issues with other countries in the Region e.g., India, the Philippines, Thailand and Sri Lanka, which have potentials and capacities to increase food production.



*"In many instances, governments, in reality, simply view the cooperatives as a channel for agricultural inputs, subsidised consumer items, credit etc. The cooperative structures are being reorganised from time to time by government decrees and executive orders without having any consultations with the cooperative members. Where this type of policies occur, one often finds that the 'members' regard the cooperatives as government institutions and quite correctly so!"*

## Chapter-VIII

### Sustaining Environment Through Cooperative Action – The Role of Agricultural Cooperatives

During recent years, cooperative organisations at various levels in both North and South have been making an important contribution to environmental preservation. Cooperatives constitute the world's largest socio-economic movement. They exist in all sectors of activity - agriculture, retailing, financial services, housing, and production and range from small village societies to huge corporate conglomerates. Whatever their size or function, cooperatives share a common structure. They are organisations controlled on a democratic basis by the people who use their services. This commonality of owners and users is the element which distinguishes cooperatives from other forms of economic activity, whether capitalistic [in which investors control] or public [in which it is the government that decides].

Cooperatives are people's self-help organisations. They are active in the sectors of agricultural production, its distribution, processing and marshalling food resources for a vast number of people throughout the world. A variety of farm inputs are handled including looking after warehousing and transportation of foodstocks. All these activities are closely linked to environmental factors. Cooperatives are partners in development. Development, to be sustainable, should be: i] Carried out in a sustained manner so that the development of cooperative institutions and their characters is preserved and sustained; ii] On the principle of equity; iii] Representing the aspirations of the people - the general membership of cooperative institutions; iv] Enlisting the collaboration and cooperation of international community; and v] With environmental considerations.

Environment should not remain the concern of governmental and non-governmental organisations alone. No doubt, large-scale industrial pollution can be prevented by the State [through appropriate legislative means, executive orders and effective enforcement efforts] and organised people, but every individual can do something towards keeping this earth in its natural form and glory. People are the main actors in this arena. If the problems of the people as identified by the people themselves are to be solved to their satisfaction then encourage the people to participate in the decision-making process. Cooperative institutions are those organisations which they own and operate for themselves on democratic lines.

## **Problem Areas**

Today, almost half of 5.7 billion humanity lives in urban areas. Every day 377,999 children come to our world. The urban population is growing two and a half times faster than its rural counterpart. By the year 2025 urban areas are expected to be home to more than two-thirds of the world's people. Already the world is largely urban, and even in rural areas life is increasingly affected by the changes created by the growth of cities. Rapid rate of urban population growth strains the capacity of national and local governments to provide basic services. Often, the resulting inability to keep pace causes human suffering, environmental damage and unsustainable patterns of development. Many intractable problems typically accompany rapid urban growth, such as poverty, unemployment, inadequate shelter, poor or non-existent sanitation, contaminated or depleted water supplies, air pollution and other forms of environmental degradation, congested streets and overloaded public transportation systems.

Many parts of the world will face water shortage crisis by 2010 and that could be catalysts for conflicts and wars if major steps are not taken to use the resource more efficiently, according to the United Nations. While the wars of the last century were primarily about oil, we are firmly convinced that many of the struggles - political and social - of the 21st century will be about water. The petroleum energy resources are rapidly being depleted. Forest cover is shrinking at a very fast rate.

Air pollutants may cause direct as well as indirect effects e.g., health effects [irritation of respiratory, eye and of other systems; acute toxic systematic effects]; environmental damage [material soiling, corrosion, loss of agricultural productivity, damage to flora and fauna, acidification of soil and water, forest die-back]; Nuisance [odour, decreased visibility], etc. Some of the pollutants have also been implicated in more complex environmental problems such as photochemical smog and acid precipitation.

Protection of environment is a service to mankind and is a step towards the preservation of our planet. The planet sustains all forms of life, water, plant and the resources that are needed for the use of all. From the earth we get the resources and products which sustain life. Food, water and plant resources are the products of earth. If we do not respect nature, we do not respect ourselves.

Asia-Pacific Region supports some 57% of the population of the world on a landmass comprising about 23% of the earth's total landmass. High concentration of population is in the urban centres. Fresh water supply is running low. Irrigation water from the canals and rivers is highly contaminated. Agricultural yields are decreasing. Owing to lack of amenities and employment opportunities in the rural areas, there is a large influx of rural population into urban centres thus aggravating further the existing imbalance in population distribution and placing a heavy burden on the civic services of the mega-cities.

## **Instances of Environmental Degradation**

Leading examples of environmental degradation and problems arising in consequence, and having socio-economic dimensions can be listed as follows:



- Deforestation rate is severe and accelerating rapidly. 5 million ha of forests are lost each year in the Region;
- Desertification is increasing rapidly. Nearly 150 million people are affected directly;
- Tonnage of social wash-off is about 15 times more in the Region than in South and North America;
- Over-exploitation of ground water leading to land subsidence, saltwater intrusion and ground water pollution;
- 4 out of every 10 people in the rural areas in the developing countries remain without access to safe drinking water. 8% of disease in the Region relate directly to unsafe drinking water and poor sanitation conditions;
- Industrial emissions of carbon dioxide in the Region increased from 94 million tons in 1959 to 363 million tons in 1985. Use of agro-chemicals has been increasing very rapidly;
- Fisheries have declined owing to pollution and over-exploitation. Pollution of coastal areas due to dumping of domestic sewage and industrial effluent, oil tankers operations and oil exploration activities;
- Threat to indigenous peoples and species; and
- Excessive mining activities and expansion of recreation areas by clearing forests.

The disturbance in ecological balance has been attributed to the following three principal factors: i] Population pressure; ii] Natural calamities; and iii] Poor financial resources.

Developed countries have 25% of the world population but they use up to 80% of its natural resources and produce 75% of its waste. Indonesia holds 10% of the rain forests on this planet. Due to meeting the world's hunger for timber, that country loses about 1.2 million hectare a year. The story is 'faithfully' recreated in other countries of Asia, notably Nepal, Bangladesh, Thailand, Indo-China, Myanmar, India and Laos. As a consequence, deforestation and degradation of forest resources, the biological system is near the threshold of a collapse. Rain forests are an easy kill.

#### **Safer Farm Inputs are Needed**

Japan, for instance, has more of environment pollution, mainly due to high industrial growth and excessive use of chemicals in agriculture. For a country like this, such problems are obvious. Colour, lustre and size of vegetables and fruits are equally important to have useful food intake for human body. To produce items of food through agriculture, a variety of farm chemicals - fertilisers, insecticides and pesticides - have to be used. Fertiliser consumption in terms of kilogram of nutrient per hectare of agricultural land is not very high in Asia in comparison to Europe. However, it is slightly higher in comparison to the world average consumption. Within Asia, Korea and Japan have maximum fertilizer consumption. In Japan where fertiliser nutrient consumption is near 400 kg/ha, reports of water pollution due to excessive use of fertiliser have been received. The consumption of nutrients in kilogram per hectare of arable land is significantly more in China and Indonesia compared to that of agricultural land. Cooperatives are responsible for distribution of size-

able quantities of fertilisers. The land resources are limited, and the demands are ever-increasing, not only in quantity but also in quality. Respecting the demands of the consumers, agricultural industry has progressively adopted organic farming, but in this process there have been risks, which, of course, can be minimised if proper care is taken. Not only the demand for more food items will increase but will also increase the need for safe, fresh and high quality food products.

The result of high technology in Japan's agriculture has generated a reaction towards more natural way of life. Cooperative members are being encouraged to use organic manure rather than chemical fertiliser to preserve land quality and protect environment. Some side effects of using organic manures have cropped up, and are being tackled through various safety measure and relocation of related facilities. Residents have often complained of foul smell, insects and other insanitary conditions. There is more demand for quality and safe products with less input of chemical fertilisers and insecticides. Housewives are being educated in choosing the less harmful foods and environment-friendly products. Greater stress is now laid on energy conservation and re-cycling of waste. All these factors are bound to have an impact on agricultural production.

Besides agriculture, demands for safe fishery products has been increasing. It has been found that marine products are also polluted because of discharge of effluent and contamination of lake and seawater due to oil spills and other factors. Fish and shells have been found to be heavily contaminated and unfit for human consumption. Agriculture is regarded as an important industry in creating a sustainable environment. The question is how to nourish agriculture to maintain the ecological balance and protect environment. Farmers and farmers' organisations, including, of course, the agricultural cooperatives have become aware of the problems and they have begun to take some lead.

The earth has limitations. Some of these could be as follows: i] Earth cannot endure the pressure of man any longer; ii] Land has been over-cultivated and over-exploited; iii] Lakes and seas have been over-exploited; iv] Pasture lands have shrunk; and v] Forest-cover has been drastically reduced.

Because of change in lifestyle, technology and food habits, the food chain also got disturbed which influenced the man. Frogs have disappeared from the agricultural fields which resulted into increase of insects which damaged the plants and crops. In many cases, however, some corrective steps were taken, for instance, use of spiders in paddy fields in reducing the insect population. Legislative controls were installed to protect the forests, control the effluent and emission of gases in the atmosphere, planting more trees, conservation of energy, dependence on alternative energy resources e.g., solar power, biogas, wind power, geothermal power generation etc. Governments came forward to enact a variety of environment-related legislation.

#### **Some Significant Cooperative Initiatives in the Region**

During recent years cooperative organisations in both North and South have been making

an important contribution to environmental preservation, using both their business structures and their membership base. Japan provides a good case study. Four sectors of the Japanese cooperatives - agriculture, forest-owners, fisheries and consumers - have committed themselves to supporting environmental conservation and sustainable development at home and abroad. Since 1988 agricultural cooperatives, which dominate rural life in Japan, have been committed to 3-H Agriculture [Healthy, High Quality and High Tech]. They and their members are involved in improving soil productivity and reducing the amount of fertiliser used, propagating balanced fertiliser applications, reducing the use of chemicals, introducing safety and hazard prevention methods, and developing new livestock treatment facilities. In Japan, 67% of the national land is covered with forests. 50% of the country's farmland is paddy fields. Forest-owners' cooperatives are leading the effort to replant the country's forests. Since 1983 the Japanese fisheries cooperatives have been committed to the stand that fishermen themselves will tackle the question of environment conservation in a more positive manner. They have established an environment conservation and monitoring system for fishing grounds, created an environment assessment system, opposed the use of synthetic detergents, and promoted the planting of trees. Consumer cooperatives have adopted a uniform slogan of "Let Us Watch Our Life and Earth". They have developed more than 180 environment-friendly products, established and propagated "Eco-labelling" and carried out an intensive campaign among the members on studying acid rain and pollution levels.

Agricultural cooperatives have launched special campaigns to educate and support the farmer-members in growing environment-friendly agricultural products by using organic inputs and reducing the use of chemicals in preservation of fruits and vegetables. "A-Coop" Stores have been made more environment-friendly and community-service oriented.

The Japan Joint Committee of Cooperatives [JJCC], representing the major segments of the Japanese Cooperative Movement, has also drawn up an environmental action programme. The main components of the programme are: i] Promotion of a drive for reviewing members living and communities covering 25 million members; ii] Participation in production and consumption activities tender to environment; iii] Expanding the ring of personnel exchanges and promote the creation of communities that protect water and greens; iv] Promotion of production and processing operations compatible with environment; v] Promotion of distribution business compatible with environment; vi] Promotion of consumption and home living business compatible with environment; vii] Promotion of waste disposal; and, viii] Promotion of a relevant organisation and creation of an environment fund.

During the 30th Congress of the International Cooperative Alliance [ICA] held in Tokyo in October 1992, the JJCC has also agreed to set up the Rainbow Environment Foundation mainly to encourage the members to support environment-related activities which include, safeguards, beautification campaigns, recycling and environmental inspections, safeguards like protecting water, ocean, green and the earth, support to the ICA environment activities, and, to create an environment fund. Special emphasis has been laid on the involvement of women in the activities of the Foundation.

The National Agricultural Cooperative Federation [NACF], the national apex of agricul-

tural cooperatives of the Republic of Korea, has made a policy declaration to make agriculture as a safe and confident industry. It said: "In the case of agriculture, the unacceptable levels of chemical applications to agricultural products and the deterioration of the rural environment have emerged as serious issues, adversely affecting consumers' health and the land productivity. Recently, the sustainable agriculture has been promoted to a limited extent as a way of conserving the environment ... Agricultural cooperatives should make every effort to more effectively organise their family farms. Family farming provides significant public benefits such as environmental protection and maintenance of rural communities, as well as ensuring food security, ...should actively develop and distribute sustainable agricultural technologies with the aim of global environmental protection and production of safe farm products, thus enhancing the public benefits derived from small scale farming."

In India, the National Agricultural Cooperative Marketing Federation [NAFED], produces bio-fertiliser and advises its constituents to minimise use of chemicals in warehouses. The sugar cooperatives, milk cooperatives and some other specialised institutions have adopted a number of measures to treat their factory wash before releasing it in the rivers. The Indian Farmers' Fertiliser Cooperative Limited [IFFCO], a world's largest producer of urea, has promoted an Indian Farm Forestry Development Cooperative Limited [IFFDC] to regenerate portions of wasteland. The objective of the IFFDC is to organise and promote afforestation of wastelands, government land, panchayat land, farmers' land along with other associated farming activities such as poultry, dairying, sericulture, pisciculture etc. on the lines of integrated farming approach for the benefits of the primary level forestry cooperative. Even the IFFCO, as a producer of chemical fertiliser, has on its own, undertaken a number of environment-related programmes around its production units.

The dairy cooperatives and the sugar cooperatives have been using solar power for boilers, producing byproducts, and distributing saplings to their members from their nurseries besides building water holding bodies for industrial and household use. In the state of Punjab, eco-friendly fertiliser has been introduced after successful experiments conducted by the Punjab Agricultural University. Punjab is the granary of India and a pioneer State in Green Revolution, making India self-sufficient in agricultural production.

Petrofils Cooperative Limited is the only organisation in this sector and is engaged in manufacture of Nylon and Polyester Filament Yarn. The organisation is covered under the government pollution control regulations. A green belt has been developed at the existing plant and a full-scale effluent water treatment plant operates not only for the factory site but also for the housing complex. Housing cooperatives, in their construction activities, have been promoting use of iron and aluminum materials instead of wood. Rainwater harvesting techniques are gradually being introduced to overcome the problems of water shortage. In the rural housing, the cooperatives are promoting and providing smokeless chulhas [cooking places]. In cooperative housing complexes, trees are grown. Sugar cooperatives take special care to treat the factory wash before discharging the waste in the rivers. The treated water is supplied for irrigation purposes. A number of sugar cooperatives have developed their own irrigation dams, water holding areas, plant nurseries and intensive greening activities laying special emphasis on growing timber and fruit trees. Mudpress, a waste from the

sugar production process, is being treated for use as manure in sugarcane fields. A biogas plant has been installed at Pravaranagar sugar cooperative in Maharashtra State for treating entire effluent of its distillery which not only solved pollution problems but also generated gas sufficient to cater to 70-80% fuel requirement of the distillery unit. Milk cooperatives have established their own solar energy plants with a view to conserve diesel and electric power.

The National Dairy Development Board [NDDDB] initiated a pilot project on Tree Growers' Cooperative in five states of India. Over 100 cooperatives have been organised which have planted over 1.75 million trees. 60 biogas plants have been installed. Various training programmes for farmers and especially for women have been organised in all districts.

With the objective of providing financial relief to the farmers on rain-fed agriculture in the event of failure of agricultural crops, cultivation of fast-growing Eucalyptus was initiated as an agro-forestry crop. The tree was chosen after extensive survey as it could enable the farmers to harvest the wood on a short rotation of 5 to 6 years. Eucalyptus has an assured market backed up by pulp and paper industry. It is also in great demand for many other purposes like posts, poles, firewood, charcoal, for making particleboard and for roof-rafters used in rural housing programmes. The Nashik District Eucalyptus Growers' Cooperative, registered in 1983, promotes the cultivation of this tree as an alternative to conventional crops on scientific lines and also to organise the marketing of the produce on cooperative basis to ensure maximum returns to the farmers. The Cooperative has its own wood handling yards and processing units. More than 20 million trees have been planted. Major users of the poles have been the electricity boards and telephone department in addition to the building contractors.

In China, the Shanghai Resource Recovery and Utilisation Company [SRRUC], a subsidiary of the All-China Federation of Supply and Marketing Cooperatives [ACFSMC], possesses a complete organisational structure, processing system and business network. At present 16 categories of reclaimable waste material [encompassing more than a thousand varieties] are processed and recycled. They are scrap ferrous and non-ferrous metals, rubber, plastics, paper, cotton, hemp, rags, chemical residues, domestic animal bones, human hair, used glass bottles, old machine and accessories, acids, old computer parts, x-ray plates, radio and TV parts etc. Since its establishment in 1956 various kinds of recyclable waste materials totalling 37.02 million tons with a value over 12.6 billion Yuan were reclaimed by this enterprise. The reclaimed materials and products have been supplied to various industries and innumerable households. Besides, in making use of these materials the country conserves a lot of natural resources and saves energy comparable to 23.62 million tons of standard coal and 2.3 billion kw/h. Besides supplying raw material, recovered from the recycling process, to the industrial houses, it has been able to recover precious metals like gold, silver, copper and a host of other metals. It manufactures PVC material for household and building activity use.

The ACFSMC has also offered technical cooperation to several countries in the Region in the sector of waste resource recycling, and some feasibility studies were carried out for the Philippines at the initiative of the Cooperative Union of the Philippines.

In Indonesia, the DEKOPIN, the National Cooperative Council of Indonesia, has been promoting environment-related activities through its activities and in collaboration with its member-affiliates. Its special strategy has been through member education and training programmes and the development of related informative material. A rural cooperative in West Java introduced solar energy to eleven villages. There are 500 solar generators producing 130 kw each per day without major maintenance or repairs.

In the Philippines, the Cooperative Union of the Philippines [CUP], had undertaken negotiations with the SRRUC of China for the establishment of pilot programmes on waste resource recovery and utilisation in Davao City and Quezon City covering waste rubber, plastic, paper, precious metal and ferrous recycling. The CUP Cooptrade project is promoting and selling biodegradable laundry soap. Another cooperative - NAMVESCO - has introduced a CoopSoap which is sold at a price lower than other brands. The National Confederation of Cooperatives Inc. [NATCCO] encourages its member-affiliates to grow more trees, and its membership is linked to the number of trees grown by the applicant-member. A large variety of awareness material has been published by these organisations. The CUP and some of the cooperatives have been promoting use of paddy stalk for producing strawboard to be used in building industry, and, production of bio-fertiliser from garbage.

In Sri Lanka, the National Cooperative Council, a national apex of the Cooperative Movement, with the support of some donor agencies has implemented a project called Sustainable Agriculture through Environment Conservation. The Analog Forestry Programme of the NCC focussed on perennial crops and fruit plants which are suitable for the environment of the dry zone e.g., mango, cashew, coconut, teak, jack-fruit etc. In the project, the following factors have been given special attention: i] Scarcity of water, ii] Decrease in natural forests; iii] Non-formal forest cultivation; iv] Drying of natural water resources; v] Environmental issues created by *chena* cultivation; vi] Soil erosion due to cultivation on slopes; vii] Incorrect and haphazard use of chemical fertiliser and other farm inputs.

### **The Role of the ICA in Sustaining Environment**

With a view to identify the problem areas and to take stock of the environment-related issues, the ICA Regional Office for Asia and the Pacific had undertaken a Regional Study covering China, India, Indonesia, Japan, the Philippines and Thailand. The main objectives of the Study were to: i] Identify the environmental issues faced by cooperatives; ii] Take stock of the effective and visible measures already undertaken by cooperatives in protecting environment; iii] Suggest methods and techniques of developing greater awareness about environmental issues; iv] Develop programme strategies and action plans; and v] To make suitable recommendations for each country and to the ICA ROAP and suggest follow-up activity required to implement and monitor local, national and regional plans of action.

The Study, carried out by Dr Daman Prakash of ICA Regional Office and Dr GC Shrotriya of IFFCO, published in July 1992, was subsequently presented at the 30th Congress of the ICA held in Tokyo in October 1992. The findings and recommendations made by the Study were well-received by the Congress, ICA member-organisations, cooperatives and cooperative

leaders. Some of the major recommendations made by the Study were the following:

- Cooperative Movements should include the subject of environmental protection in their business plans;
- Cooperative Movements should also respond to community's needs for environmental protection;
- Industry, in general, should take responsibility for environmental protection and encourage waste minimisation and recycling. Environmental management in industry should address itself to clean technology rather than clearing technology.

The Regional Study had suggested the following strategy to boost cooperatives involvement in environment protection:

- Great emphasis is needed on creation of awareness among cooperative populace on all issues relating to environment protection;
- Great need is felt to create and develop suitable and effective awareness programmes, materials and publicity campaigns;
- Environment-related topics to be included in cooperative education and training programmes. Cooperative federations to carry out awareness programmes for their affiliates and their ultimate basic members;
- Cooperatives engaged in production and distribution sectors to ensure the safety and quality of goods handled by them;
- Cooperatives to remember "Energy Saved is Energy Generated" and "There is Great Wealth Buried under the Garbage" thereby providing momentum to energy conservation and waste resource recycling;
- Cooperative Movements having experiences and resources in the sector of environment protection to come forward to help, support and collaborate with sister-movements through expertise, exchange of information and contributing financial resources;
- Cooperative Movements to set up an international environment unit within the ICA to channel technical assistance, information and further interaction with member-movements. Cooperative Movements to set up an International Environment Fund and contribute to it liberally. The Fund may support clearinghouse services, training, education, research and development activities; and
- Cooperatives to collaborate with respective national governments in the sectors of environment and sustainable cooperative development.

### **Roles Cooperatives can Play**

Cooperative institutions as people's organisations can play a significant role in creating awareness among the people. These could be:

- Creating awareness among cooperatives and cooperative members through extension programmes and publicity campaigns. Environment protection is an integral part of the entire process of cooperative development. Developing educational and training programmes for board members and staff members;

- Giving publicity to environment-related successful measures taken by cooperatives. Collaborating with cooperatives abroad in exchanging information, techniques and expertise;
- Creating awareness among the people on the consequences of increase in population. Special programmes on population control can be undertaken by cooperatives in collaboration with government concerned agencies. Creating awareness among the people on the consequences of cutting down trees indiscriminately;
- Creating awareness among the people on the consequences of flow of wastewater in village streets, indiscriminate mining and digging up soil for brick-kilns etc.;
- Educating farmers on the use and handling of chemical fertilisers, farm chemicals e.g., DDT and Educating people on the importance of washing vegetables and fruits before consuming them;
- Informing people on the use of alternative sources of energy for cooking, heating and lighting. Encourage use of biogas for domestic use; and Fostering social forestry programmes.

The 1992 Congress of the ICA, taking note of the Study, had made significant recommendations. It said: "Cooperative organisations should initiate and strengthen their own environmental action programmes in order to educate their members, promote sustainable development through their business activities, and influence the policy of governmental authorities and as a reflection of their commitment to sustainable development, national cooperative organisations and development agencies should establish their own special environment and development funds and programmes for this purpose." The Asia-Pacific Cooperative Ministers' Conferences held in Jakarta in 1992 and in Colombo in 1994 had also laid stress on the importance of environmental issues.

The ICA ROAP had issued a number of environment-related awareness documents which were widely distributed among the member-organisations. Several of them were translated into local languages for further distribution. One of the extension material entitled "A Place to Live", a publication of the ICA ROAP, has been published in its 4th edition and translated into 10 regional languages.

### **Strength of Cooperation Action**

Through organisation people can control their destiny - economic and social. They can be the masters of their fate. Cooperatives respond directly to human needs. Cooperatives encourage and promote direct involvement, direct concern, direct activity. Cooperatives have done magnificent work in development, although there also have been several significant failures. Cooperatives carry the power to the bearers of development, equity of ecological responsibility, and of the empowerment of the people. It is an immense potentiality.

At whatever level the cooperatives operate they bear the responsibility of educating their affiliates and the ultimate members on the issues relating to pollution, environment conservation and controlling the growth of population. The cooperative federations and unions which conduct extension and training programmes have to enrich them by incorporating in their syllabi and curricula topics relating to the environment conservation, population and eradication of poverty. The need of the day is not to have more of the ill-fed and ill-clad



children running around dilapidated houses in dirty streets and with no proper education and health care. The need is to have well-nourished few children in the house who enjoy the company of their parents for a long time and live comfortably with them. As members of the cooperative family we should aim at leaving behind us a fresh, clean, live, thriving, green and a pleasant place to live. Everyone now seems to speak the same language - the language of concern - re-greening the earth, conservation of energy, alternative sources of energy, control on population growth, altering life style, and making our surroundings environment-friendly. Cooperatives are also taking part in this monumental programme since a large number of people are covered under the fold of cooperatives.

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*"The hard truth is that nature does not care if we live or die. It is the nature without which we cannot live. It goes its own way, headless and heartless."*

## Chapter-IX

### In Conclusion

**A**gricultural cooperatives are organised on a voluntary basis by grassroots farmers to satisfy some of their social and economic needs. These legal entities are managed by the members on democratic basis and in accordance with the universally-accepted Principles of Cooperation. Some of the large-size agricultural cooperatives employ qualified professional managers to conduct their business properly. In many cases they make use of modern methods of management. Still many more are trying to meet the business requirements of their members by using traditional ways and means. At present, in the region, many instances of success are already available and the information on their experiences can be fruitfully employed.

In their pursuit to hasten the process of agricultural development, governments in different countries had been experimenting with different institutional devices like cooperatives, pre-cooperatives, farmers' organisations, self-help groups etc. Because of highly localised character of rural communities, it had not been possible finally to arrive at one or more ideal devices which could be effectively replicated to achieve the objective of agricultural development. In fact, it would appear that the policy-makers were groping in the dark for an ideal type of cooperative which was at once consistent with the spirit of volunteerism, and yet viable, workable and sustainable.

*Need to Create a Homogeneous Environment to Deliver not only Economic Benefits but also Contribute to an Improvement in Social Environment:* Governments in the region should create an atmosphere where relationship between primaries and their federal cooperatives gets governed by a system of mutual obligations and voluntarism. Autonomy of primaries should be maintained within the boundaries of the common strategy agreed upon by the cooperatives in the vertical structure. Law should ensure that primaries effectively govern their higher level cooperatives, even though the latter might offer guidance and technical expertise. Cooperatives should primarily be considered as economic identities. If incidentally they are also involved in social welfare there should be no objection. However, government should not impose social welfare objectives on cooperatives at the cost of their economic objectives.

*Implications of Liberalisation, Globalisation and Structural Changes:* With the intensification of process of liberalisation and globalisation of national economies, cooperatives in most of the countries of Asia are passing through a phase of transition from a State-sponsored to a member-based and member-controlled cooperative system having full autonomy in their management and being effectively adapted to the market. The process of transition has impacted the role perception of cooperatives. Emerging trend, in this context, within the cooperatives and the government is that cooperatives will continue to play a meaningful role in the spheres of agriculture and rural development, consumer protection and social sector development. In the field of poverty alleviation too, cooperatives may provide effective institutional support by organising the poor on self-help basis. There is an imperative need for cooperatives to adapt to the changing economic conditions. Structural adjustments and a more deregulated and liberalised market economy will result in a more competitive environment. This, in turn, will demand a more exacting performance by the agricultural cooperatives.

The process of liberalisation, globalisation and structural adjustment programmes has led to a new economic environment, and agricultural cooperatives in the region are likely to face consequences of the same. Developed countries are exporting their farm products that are heavily subsidised. Such imports are harming the local farmers. Cheap imports are killing the domestic industry. The competition is going to be stronger than ever due to market forces and cooperatives in the region have to face the same keeping in view the economic interests of their members. At the same time, these are bound by certain strict rules and regulations applicable to them for these are regulated /facilitated by different acts and laws that are more sensitive to social interests of the members than their economic interests. Agricultural cooperatives in the region will still take time to critically understand the terms of 'value-addition', 'operation-management', 'organisational behaviour', 'joint use concept', 'creation of an identity' [i.e., a CI-Corporate Identity] etc. for it has never been exposed earlier to such principles and practices. However, one signal is quite clear, agricultural cooperatives will have to cope with the emerging economic environment.

In the competitive environment agricultural cooperatives may well consider the option of joining hands with other strategic partners for distribution, export and other requirements. Joint ventures in strategic areas with specific aim of sourcing raw materials from abroad and for export of local products is another option.

*Synergise Members' Needs with Market Effectively to Ensure the Sustainability of Cooperative Enterprises:* Cooperatives should not expect any preferential treatment at the level of the government to perform their role in the above mentioned functional areas. Besides they are also expected to compete well in the market in providing services to their members in a cost-effective manner to prove their efficacy and relevance. In a nutshell, the real challenge before cooperative managers and board members is how to synergise members' needs with market effectively to ensure the sustainability of cooperative enterprise in a competitive environment. Inert enterprises may wither away. Another implication of this challenge is the possibility of entrapment of cooperatives in the modes and practices of management followed by the private sector. Therefore, cooperatives need to evolve their own manage-

ment patterns that enable them to preserve and protect their identity at the market place.

The basic requirements of members from their cooperative are, to mention a few, quick and reasonably good economic returns, sustainability of their institution, good market credibility, transparent business operations, responsive staff, effective and objective contacts between the leaders and the members etc. In the context of fast-changing world of business, it becomes the responsibility of the cooperative to remain in touch with the members on one hand and with the market current trends on the other. Adoption of suitable means of Information Technology e.g., e-commerce, technical networking, computers become a necessity. The IT brings constituent-members closer, produces instant market information, helps sharing of experiences among members and research institutions, and helps promote higher productivity. It gives reliable information on climatic changes, weather forecasting, helps promote operational transparency with the application of better financial discipline and controls. Similarly, agricultural cooperatives need to consider now more seriously than ever before the application of the concept of 'value-addition through agro-processing'. Agro-processing aims at bringing higher income to the basic producers and avoiding waste in food [fruits, vegetables and foodgrains] handling. The concept also promotes the use of appropriate technology to ensure supply of fresh, safe, healthy and wholesome food to the consumer within the shortest span of its production. The concept also promotes local industry and generates additional income for the farmers at the basic level.

Effective performance of a cooperative depends upon active member participation, committed leadership and well-trained and motivated staff. To increase members' participation all available means of communication must be utilised and institutions such as mass media, educational programmes, civic groups for leadership development special training programmes must be undertaken. At the same time, efforts will have to be made to increase members' awareness about the nature of cooperatives and of their rights and duties as the owners of their agricultural cooperatives. Professional management, especially in larger cooperatives, and which act in accordance with the objectives of cooperatives is required at all levels. Internal rules and regulations of cooperatives should be supported to the achievement of the objectives. The Boards and management of cooperatives should be fully accountable to the members for their performance.

The farming community lacks scientific market information. They depend mostly on their limited sources of information, which are often erratic. There has been no systematic marketing information system reaching the farming community and this can be accomplished by the cooperatives which would, in turn, help the farmer to plan out the production programmes. There are a few cooperatives handling non-perishables which have successfully provided this service.

*Agricultural Cooperatives to Create Awareness and Implement Suitable Plans of Action on Issues Responding Effectively to the Concern for the Community:* The seventh Principle of Cooperation 'Concern for the Community' reads thus: 'Cooperatives work for the sustainable development of their communities through policies approved by their members'. In the context of the present-day socio-economic scenario agricultural cooperatives are expected to undertake activities which enhance the social and economic improvement of their members. These

activities invariably cover concerns like health, education, members' participation in business and organisational affairs, safe and quality food products, quick decision-making and creation of community-friendly facilities.

Since the agricultural cooperatives are mainly concerned with food, it is apparent that the farmer-members are educated and supported in having a competent extension and technological back-up with due environmental considerations. Heavy dependence on farm chemicals and fertiliser needs to be readjusted and more efforts are made to enhance application of safe and bio nutrients. To make their services and activities more sustainable agricultural cooperatives and farmers' organisations have to look for better technological and management interventions. Food security and environmental concerns are two major aspects on which a higher level of awareness needs to be created among the farmer-members to earn the confidence of the consumers and to achieve higher economic returns. There are several aspects of these two factors e.g., greening by planting more trees, introduction of social forestry to meet fuel and cheap timber requirements, increasing the recharging capacity of the soil to obtain more water for farm irrigation and household use, introduction of rainwater harvesting methods, conservation of water and fuel resources, raising of plant nurseries, controlling soil degradation and erosion, better management of transportation equipment, introduction of more of alternative means of energy e.g., solar and wind-power, home-life improvement, better crop protection measures, improved post-harvest methods, improved methods of handling industrial wastes, introduction of recycling methods to have better byproducts for farm and household use, a higher level of involvement of women in social, economic and educational activities supported by agricultural cooperatives etc.

Diversification of agricultural production and improvement in food handling which includes grading, sorting, packaging, storage, sanitation and efficient transportation aspects is needed. Traditional methods have to give way to more modern methods and techniques. In this process the role of sectoral business federations with suitable technological and financial support of the private sector assumes significance.

*Governments to Realign and Readjust their Participation in the Development of Agricultural Cooperatives:* Realising that the era of total control by governments on agricultural cooperatives is over, it is necessary that the cooperative legislation and the role and functions of the cooperative department are thoroughly reviewed and readjusted. It is also necessary that the cooperative institutions and the cooperative leaders themselves give a serious thought on corporatisation of cooperatives by encouraging the formation of cooperative companies so that they are able to function on the lines of private companies. Advocates of this concept stress that cooperatives should be registered under the Companies Act but retaining their basic character. "A cooperative company should retain its intrinsic character of one vote per member irrespective of the number of shares and should be allowed to sell his share only to the members.. Corporatisation of cooperatives was the only way to strengthen them to face the onslaught of multinational corporations." In this process the support and cooperation of the government would be essential since that would entail bringing about changes in the existing cooperative laws. The current market practices should encourage the cooperative departments to change their attitudes - from directing and controlling to guiding and facilitating the efforts of agricultural cooperatives and their members.

In many cases governments dominate the Cooperative Movement. This inhibits their self-reliance and makes them dependent on an external agency. There is, therefore, the need to review the legislative and administrative framework governing cooperatives and thus minimise the role of government. This will be in line with the trend towards a more deregulated economy. Although there is scope for further improvement, agricultural cooperatives have contributed substantially to the social and economic development of a country. However, such contribution is often hindered when governments use cooperatives as instruments for the implementation of their own plans and programmes.

There are several islands of success in the region. These success stories are based on hard and dedicated efforts made by the grassroots level members and their leaders. They have learnt from their failures and in a hard way. For the agricultural cooperatives of today it is necessary that they project their right image through an identity and develop their business based on some well-tried concepts e.g., the concept of joint-use, making use of locally-grown and locally available materials, trying to tie up with good market operators, and encourage more of agro-processing activities to capture more share of the market. There is no need to reinvent the wheel, experiences and expertise are all there – one only has to locate and harness them.

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*“A straight and ordinarily understood meaning of competitive strength is to establish one’s superiority over the rivals. It means having the capacity and capability to accept various challenges from the competition. In the economic sense, without going into the various forms, it signifies strength of an enterprise or industry to be the pacesetter in the field of production and distribution of goods and services. Cooperatives are organised with the objective of obtaining and developing collective services, particularly for their members, as a measure against exploitation, profiteering and situation of helplessness. Conceptually, competition among cooperatives themselves is not considered desirable but in actual practice it does take place.”*

## **ANNEXURE-I**

### **ICA COOPERATIVE IDENTITY STATEMENT [ICIS]**

*The ICA General Assembly held on 23rd September 1995 in Manchester, adopted the new Principles of Cooperation recommended by the ICA Board of Directors and the ICA Congress after global study and review by a committee headed by Prof Ian McPherson from Canada. The process started with a paper presented by Lars Marcus, the then President of the ICA, at the ICA Congress held in 1988 at Stockholm. Sven Ake Book, a cooperative specialist from Sweden, was detailed to undertake a research into Cooperative Values and Principles in the context of modern global environment of cooperatives who presented his report to the ICA Congress held in Tokyo in 1992. The General Assembly appointed a committee, headed by Prof McPherson, for a review of the Cooperative Principles. The Manchester Congress adopted a Statement of Cooperative Identity which contains the definition, values and the Principles of Cooperation.*

#### **DEFINITION**

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

#### **VALUES**

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

#### **THE PRINCIPLES OF COOPERATION**

The Principles of Cooperation are guidelines by which cooperatives put their values into practice.

##### **First Principle**

##### **Voluntary and Open Membership**

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

## **Second Principle**

### **Democratic Member Control**

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women, serving as elected representatives, are accountable to the membership. In primary cooperatives, members have equal voting rights [one-member, one-vote], and cooperatives at other levels are also organised in a democratic manner.

## **Third Principle**

### **Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least a part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperatives, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

## **Fourth Principle**

### **Autonomy and Independence**

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

## **Fifth Principle**

### **Education, Training and Information**

Cooperatives provide education and training for their members, elected representatives, managers, and employees, so that they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of Cooperation.

## **Sixth Principle**

### **Cooperation among Cooperatives**

Cooperatives serve their members most effectively and strengthen the Cooperative Movement by working together through local, national, regional and international structures.

## **Seventh Principle**

### **Concern for the Community**

Cooperatives work for the sustainable development of their communities through policies approved by their members.



## ANNEXURE-II

### EXPERIENCES OF JAPANESE AGRICULTURAL COOPERATIVES Lessons Relevant for the Developing Countries

*Prepared by Daman Prakash*

In the light of the experiences of Japan, potential factors that would influence the operation of cooperatives elsewhere are: Customs of mutual help and assistance in rural areas; Introduction of new crops and technology to increase productivity; Active participation of women members through women's associations and Han groups; Employment of capable and professional managers; Acquisition of operational facilities and linking credit with marketing; Guidance and education for improving production technology; and, above all, the cooperative being a member-centred institution rather than the cooperative being a 'cooperative-centred' institution. Based on the above factors, some general requisites for an effective operation of an agricultural cooperative could be derived. These include: Promoting members' participation - economic and organisational; Increasing membership by encouraging non-members, women and young people to join agricultural cooperatives; and, Promoting the utilisation of cooperative services by members.

The main aim is to strengthen the JA group [JA stands for Japanese agricultural cooperatives] and to make the cooperatives economically viable. There is an 'amalgamation' trend in the country - banks, telecommunication companies, automobile companies and other business houses are merging together to enhance and consolidate their economic strength. JAs have been following this programme with the following objectives: making the farming operations viable, making the cooperatives strong and viable, and facing the market competitions bravely through a strong collective bargaining power. The process has been slow and painful. To facilitate and accelerate the process of amalgamation the government and the Agricultural Cooperative Movement have, over the time and taking advantage of the experiences gained, developed some guidelines and standards which the amalgamating cooperatives have to observe and follow. Some of the problems faced by cooperatives in the process of amalgamation have been: a) Division and appropriation of assets and liabilities; b) Rational placement of personnel; c) Difficulties in arriving at consensus; and d) Egoistic attitudes of local leaders. The process is based on consensus and with the agreement of all the members. Once the amalgamation is agreed in principle and the required consensus achieved, formal steps of de-registration of existing cooperatives and

fresh registration of the amalgamated new cooperative are taken to formalise the process. Government directives or instructions have no place in the process.

While there are several good merits of the process, several demerits have also been cited. Some of the drawbacks of the process of amalgamation have been stated as: a) Cooperatives will become too large to manage; b) Cooperatives will lose contacts with the members; c) Members will feel distanced; d) Bureaucratic tendencies will develop; e) Duplication in expenditure on capital goods, office facilities, communication, and provision of services may occur; f) Leaders, due to their power and wide area of influence and business operations, will get involved in local politics or may get involved in party politics; g) Failure of a large cooperative will result into huge economic losses, etc. Some of the amalgamated cooperatives have, however, shown good results. Business organisations like the JA-Zen-Noh and JA-Zenkyoren are already actively pursuing the process of amalgamation to consolidate their business and to provide more efficient services to their members. It is hoped that by the end of the year 2000, the number of agricultural cooperatives will come down to 700.

### **An Introduction to JA's Activities**

JA is mandated by the Agricultural Cooperative Society Law to conduct the following activities:

- Education and Public Relations, Guidance on Farming and Lifestyle Issues: Providing educational programmes for improving agricultural technology and operations, enhancing living standards, and promoting cultural activities;
- Activities Related to Agricultural Production: Developing and improving farmland, joint use of irrigation facilities and joint farming work, installation of facilities to improve labour efficiency;
- Entrusted Farm Operations: Operating farmland entrusted by JA members;
- Farmland Trust: Overseeing farmland trust holdings;
- Marketing: Marketing, storage and transport of agricultural products;
- Purchasing: Supplying production materials and essential goods;
- Credit: Loaning funds for agricultural production and living expenses, accepting deposits;
- Insurance: Providing mutual life, fire, automobile, and building endowment insurance;
- Utilisation: Establishing agricultural production and residential facilities for joint utilisation;
- Processing: Processing agricultural products;
- Public Welfare: Establishing hospitals and clinics;
- Senior Citizens' Welfare: Establishing facilities and programmes to care for senior citizens;
- Residential Land Admin: Transfer/purchase of farmland entrusted for residential development.

**Farm Guidance Activities:** Farm guidance is offered to help farmers operate their farms more efficiently. In addition to providing technical advice, agricultural cooperatives help farming groups

in rural communities to establish rational agricultural management. There are currently about 19,000 cooperative farm advisors working throughout Japan who, in cooperation with administrative agencies, agricultural research stations, veterinarians, and other groups, are helping farmers bring their farms into the 21st century.

Guidance in overall agricultural management is available to all JA farmers. Specific guidance is offered in regional agricultural planning, quality improvement, and development of group production systems, lowering production costs through joint use of machinery and facilities and joint purchase of production materials, and regional production and marketing. In recent years, to promote more effective use of farmland, JA has taken the lead in leasing or buying members' farmland to sublease or resell to farmers looking to expand their operations. Many JAs also manage land entrusted by their members, arrange for farms to be worked on a commission basis, and secure needed manpower for member farmers.

A salient feature of Japanese agricultural cooperatives is its farm guidance advisory service that is provided to their members. This merits special attention since this service is sought to improve the economic situation of the member as well as provide quality products to the consumers. The members with an aim of improving their farm management and life establish agricultural cooperatives. This service, which, in fact, is a prime mover of economic business between the cooperative and the member, has the following principal functions:

- |   |                      |     |   |
|---|----------------------|-----|---|
| - | Counsellor           | ... | Consultation/Guidance: Farm Management    |
| - | Planner              | ... | Planning & Development of Farm Management |
| - | Engineer             | ... | Technical Guidance                        |
| - | Consultant           | ... | Management Guidance                       |
| - | Organiser            | ... | Organisation of Producers                 |
| - | Communicator         | ... | Information Communication                 |
| - | Marketing Researcher | ... | Response to Markets                       |
| - | Manager              | ... | Management of Facilities                  |

This service is not a direct income-generating activity of the cooperative. In view of its importance, the service is regarded as an integral component of the cooperative and of special significance, since through its successful results it has been possible for the Japanese farmers to achieve one of the world's highest yields of paddy [4.5 to 5.5 tons per ha], as well as the most acceptable highest quality of rice. The financing of this service is done through the following sources: i] The farmer-member contributes 22.5%; ii] 40.5% is the government assistance; and iii] The beneficiaries share 37.0%.

The farm guidance advisors are the employees of the Movement. The JA-Zenchu and the prefectural unions, develop an implementation strategy in consultation with the agricultural cooperatives, and then help implement the programme through an established network.

**Better-Living Guidance Activities:** In order to create liveable communities and enhance the standard of living of farmers and their families, JA offers comprehensive lifestyle consulting services to members. There are about 3,000 better-living advisors located around the country. Some of the services offered include:

- Health check-ups for members and their families;
- Consultation about traffic accidents, taxes, housing, pensions, and asset management;
- Guidance in lifestyle design and home budgeting;
- Activities to improve living standards including promoting self-sufficiency in agricultural products, joint purchase of fresh foods, and doing surveys on commodity prices;
- Cultural activities, including cultural festivals, athletic meet, cooking and folk song classes, and ceremonies;
- Environmental awareness, including such activities as recycling, cleaning, and maintaining a safe water supply;
- Activities to give purpose to senior citizens, including employment opportunities, home helpers, bathing assistance, meal delivery, and visiting home health-care services;

**Marketing Activities:** Agricultural product prices are inherently unstable due to variations in weather conditions, consumer demand, and competition. The utilisation rate for JA's marketing system is more than 90% for rice and around 50% for vegetables, beef and milk. JA's marketing focus is to increase members' profits by selling their products through joint marketing and distribution. The four basic characteristics of the JA marketing system are:

- Unconditional consignment - Farmers consign the marketing of their products to JA without any price, time, and destination conditions;
- Commission charges - JA collects commissions that cover personnel, communication, and travel expenditures;
- Pooled accounts - Farmers pool products of the same quality shipped in the same period and collect a stable income based on price averaging;
- Full utilisation - Farmers gain economies of scale by taking advantage of JA's mass marketing and distribution system. Although the shipped volume of JA products been increasing annually, sales volume is stagnant due to declining prices, a result of the strong Yen and increased imports. This situation has been worsened by flat rice sales caused by a shift in consumer preferences towards other grains.

**Product Processing Activities:** Product processing generally falls into two categories: processing of goods for sale to the public and processing of goods for home use. Starch, miso, soy sauce, milk, vegetables, fruit, juice, ham, and sausage are all processed for sale to the public at JA plants. Additionally, many JA members use cooperative facilities to process products such as miso and pickles for home use. Although some JAs and prefectural federations have the facilities to process significant volumes of agricultural products, most JAs have comparatively small plants. These plants are used to process products that are for home use or to be marketed within the community.

*Oita Prefecture's "one product, one village" offers an excellent example of an alternative use. Special local delicacies were processed and marketed to the general public, promoting regional industries and revitalising small communities. With some processed products such as rice cakes, rice crackers, and pickles, a common method is to consign processing to private manufacturers in the same region. This system recognises the shortage of JA personnel and processing facilities, while assisting in the development of local industries.*

**Purchasing Activities:** This service exists to supply JA members with reasonably priced, high-quality production materials and consumer goods. Member's place advanced orders that are then pooled together, whereupon goods are purchased in quantity. The foundation of the system is made up of stores located at each JA. As of the end of fiscal 1993, there were 1,668 large "A-COOP" outlets nation-wide, among many others. Utilisation of the system has been gradually declining in the face of increased competition from outside retailers and less advantageous terms from affiliated suppliers, particularly those for consumer goods, automobiles, and livestock feed.

**Credit Business Activities:** Credit activities mainly encompass collection of savings and the extension of loans to members. To recoup the operating expenses made requisite by the need to offer services to all members, JA credit organisations engage in a variety of businesses including discounting of bill, domestic exchange transactions, liability guarantees, loans to non-members securities transactions, foreign exchange transactions, and trust management. Due to recent financial deregulation, competition with ordinary banks and other financial institutions has intensified. In the interest of fair competition, JA has been granted to expand its business activities including financial services. Today, JA cardholders can perform transactions at almost all financial institutions using the same card, including all JA, ordinary banks, and credit unions across Japan. They are also able to pay telephone and electrical bills through an automatic bank transfer system.

*[The Norinchukin Bank and the Japanese agricultural cooperatives make up a structurally multifunctional and integrated whole. The Bank's mission is to develop Japan's primary sector and its related industries by financing its activities. With assets of US\$ 1,071 billion, this group is one of the world's most powerful cooperatives. In 1995, deposited savings amounted to \$ 930 billion and accorded loans totalled \$ 499 billion. Initially created as a quasi-governmental body, the Bank now operates as a private organisation, while maintaining privileged links with the government. As the central savings and financing body for Japan's three cooperative sectors – agriculture, forestry and fisheries – in 1996 the Bank was ranked 7th among Japanese banks and 12th internationally. It had assets of \$ 434 billion, deposits of \$ 392 billion and outstanding loans of \$ 159 billion.*

*The Bank provides complete financial services through its branch offices and subsidiaries. Its 3,275 employees dispersed in 41 branch offices serve 7,843 members. As the central bank, Norinchukin serves one of the largest fund transfer networks with 17,000 points of service operated by the cooperatives, the federations and the Bank itself. In most prefectures, local agricultural cooperatives are obliged to deposit more than two-thirds of their significant liquid surpluses with their credit federation, which, in turn, must transfer more than half of these surpluses to the Norinchukin Bank. Its funds come primarily from deposits by agriculture and fisheries credit cooperatives throughout the country [89.1%] and from issuing unsecured bonds.*

*There are six major national cooperative structures, each of which has a specific role. The Central Bank for Agriculture, Forestry and Fisheries – Norinchukin Bank – adjusts the funds of member-banking institutions and issues unsecured bonds. The JA-Zenchu, which groups the 47 prefectural level agricultural cooperative unions, is the structural component responsible for setting organisational policies. One of its mandates is to promote amalgamation of cooperatives. It also works towards reducing the structural tiers of the Movement to a two-tier structure.]*

**Insurance Business:** The purpose of offering insurance is to have a system that compensates members in times of misfortune, thereby guaranteeing their personal and financial security. Major

types of insurance offered include: Long-Term Insurance and Short-Term Insurance policies. Premiums for these types of insurance are lower than those offered by private insurers, and a portion of the premiums are rebated to members as mid-or long-term funds. At present, JA's insurance accounts for 39% of total insurance on deposit by farmers. JA does not provide crop insurance that compensates for damages in agricultural products caused by natural disaster.

**Utilisation Business:** The purpose of joint-use facilities is to provide members with access to facilities that otherwise would be unavailable for individual use. There are many joint-use facilities, which can be classified into two types; agricultural production facilities and home/life facilities. Agricultural production facilities include rice production facilities, grain elevators, grading and packing plants, plant nurseries, and agricultural warehouses. Home/life facilities include "A-COOP" stores, meeting rooms, home/life centres, ceremonial halls, and gas stands.

**Welfare Activities:** Health and welfare services protect members from disease by providing medical and health facilities, thereby bringing medical treatment and preventive care within the reach of all JA members. JA medical facilities are also open to non-members at no extra charge. Treatment is mainly conducted at JA hospitals run by prefectural welfare federations. preventive health care services are important for maintaining good health and include periodic health check-ups, preventive examinations for geriatric diseases, and health consulting services.

**Real Estate Business:** With encroaching urbanisation, a significant amount of farmland is being converted to residential use, often leading to inappropriate and uncontrolled development. JA is helping to prevent this by administering the conversion of members' land in a manner that protects their assets, while still permitting controlled residential development that minimises damage to the environment and nearby farms. JAs located in urban areas run cooperative farming and housing complexes and apartments at their own initiative, and in a fashion.

**Tourism Business:** Japanese generally love to travel, and JA members are no exception. Travel provides a release from the stress of work and domestic chores, and improves health and mental outlook. The Nokyo Tourist Cooperation [N/Tour] was established in 1967 to provide domestic and overseas travel services to members. Arranged group tours organised by JA youth and women's associations, business travel, and cultural trips are very popular. Recently, the number of JAs travel centres, which can arrange railway tickets and hotels reservations, is increasing.

**Education Programmes:** Education plays an important role in maintaining the viability of Japanese agriculture and extensive educational programmes are offered to members, officials, and employees. Members can enrol in any number of regularly scheduled classes and also attend special educational seminars, training sessions, or international research trips. JA publications, including *Ie-No-Hikari* [The Light of the Home] and the *Nihon Nogyo Shimbun* [The Japan Agricultural News] play a large part in bringing members up-to-date on the latest trends, topics, and technology.

JA officials undergo continuing education to improve their leadership abilities, and JA employees must constantly update their knowledge on business trends and technical innovations. To provide a location where members, executives, senior employees, and newcomers can come to take classes and participate in meetings and seminars ranging from farm management consulting to lifestyle advice, auditing, and computer training. Each prefecture and all JA national organisations maintain specialised training facilities.

**Public Relations Activities:** Public relations provide a vital connection between JA organisa-

tions, their members, and the general public. Internal public relations help build solidarity among members while external public relations help educate the public and disseminate JA views and policies. Public relations directed at cooperative members consist primarily of print media, including pamphlets and leaflets, but also includes some TV utilisation, mainly through small cable channels. JA federations publish newspapers and magazines, and JA-Zenchu publishes a monthly bulletin targeted to officials and employees of JA Group.

The importance of external public relations is increasing. In the light of recent overseas trade conflicts, the main impetus is to educate the public on the essential role that agriculture and farming communities play in society and emphasise the importance of maintaining a safe and stable food supply. The primary vehicles for disseminating external public relations remain the mass media including newspapers, magazines, TV, and radio, along with various special events such as fairs and JA festivals.

**Lobbying Initiatives:** JA engages in lobbying as a means to promote specific policies. It lobbies at all levels of government to press members' interest on policies concerning land use, production, pricing, distribution, budgets, taxes, social security, and the environment. Lobbying methods range from simple request submissions to major public demonstrations. On important issues, the prefectural and national unions mainly spearhead lobbying efforts.

#### **Democratic Control and Management**

Federations and central unions are governed under the Agricultural Cooperative Society Law, as follows:

**The General Meeting:** The annual General Meeting is the supreme decision-making body of JA. At the General Meeting, changes in the Articles of Association are resolved, the year's business plan is approved, and officers elected. Resolutions are usually passed by a majority vote of the attending members. However, important resolutions on changes in the Articles of Association and resolutions regarding cooperative mergers, for example, must be approved by at least a two-thirds vote of the attending members. Large cooperatives with many members [more than 500 regular members] may organise a representatives' meeting with decision-making authority. A quorum for the representatives' meeting is at least one-fifth of the total number of regular members.

**Directors and Auditors:** Directors enact business according to policies adopted at the General Meeting. Auditors review business performances and submit this review at the General Meeting. Directors and auditors serve for not more than three years with the President being elected from among directors by director's mutual vote. Recently with the ongoing mergers among multipurpose cooperatives, the number of full-time officers is decreasing.

**Employees:** JA employees provide the energy that keeps this vast organisation functioning and on track. Their ability to coordinate their efforts within the organisation is a key element in maintaining the smooth operation of JA. The total number of JA employees, including those of federations, is approximately 400,000.

#### **JA's Principles**

JA's principles are derived from the Agricultural Cooperative Society Law, and govern the day-to-day management of the organisation. They are: i] Becoming a member of, and resigning from,

JA is of one's free will; ii) Elections are determined by 'One regular member, one vote'; iii) JA is a non-profit organisation whose mission is to protect and enhance Japanese agriculture and improve the standard of living of agricultural workers. For this reason, dividend is limited to not more than 7% for multipurpose JAs, and not more than 8% for federations; iv) Concerning the settlement of the surplus, in case the loss happens this surplus is allocated to cover this loss. And after funds for JA business development and those to be carried forward are deducted. Surplus shall be paid to cooperative members in the proportion to which they utilised the cooperative services; and v) In order that training programmes for new members be adequately financed, not less than one-twentieth of a cooperative's surplus must be carried forward to the next fiscal year.

### **Governmental Guidance and Supervision**

The government audits national and prefectural federations and central unions, while prefectural governments audit JAs within respective prefectures. The government may issue necessary orders to carry out the sound management of JA. Audit is carried out to safeguard members' interest and to improve cooperative management. Four kinds of audit are available: i) Internal auditors appointed by general meeting; ii) Special audit by staff members as per direction of the President of a cooperative; iii) Audit by the Central Union; and iv) Audit by the Government.

Based on the experiences of agricultural cooperatives at the primary, secondary and national levels in various countries of the Region, including Japan, the following lessons can be derived:

- Government should give more importance and provide greater support to agriculture if agricultural cooperatives are to perform satisfactorily;
- Cooperatives would function well with least government intervention. Discipline and good governance contributes much to the efficient operation of cooperatives. Cooperatives should be non-political and self-reliant organisations. Complete trust and confidence is necessary for cooperatives to succeed;
- Cooperatives should be managed in a more business-like manner – these are not social clubs or charity organisations;
- Cooperative's guidance and active participation is valuable in the formulation and execution of farm production plans. Knowledge of scientific farming, provision of high quality inputs such as seeds, and mechanisation are important factors for enhancing productivity. Technological innovations that are pertinent to the changing needs of agriculture and the environment should be promoted. Introduction of new technology and methods of production is needed to develop agriculture;
- Cooperatives should provide advice to farmers on crops to plant which earn them higher income. Regular dialogues among farmers, cooperatives and market authorities should be undertaken to resolve problems. For success the farmers' orientation should be on improving productivity and quality;
- Organisation should be led and managed by energetic, professional and dynamic persons. Business should be conducted in accordance with modern management principles;
- Elected officials viz., Board members including Presidents and Auditors should be paid. Honorary elected officials tend to be a drain on the resources of the cooperatives; and
- Improved packaging and marketing are important to enhancing the business operations



of cooperatives. Agricultural cooperatives could be encouraged to participate as wholesalers in the market and hence, enhance the benefits of their members; and good grading and packaging add to the final price of the product and enable efficient handling and distribution.

These lessons can very well form the basic guidelines for the leadership of agricultural cooperatives elsewhere.

### **Problems Faced by the JAs**

The present stage of development of the Japanese agricultural cooperatives is the result of 100 years of experimentation, innovations and improvements. These successes are not devoid of impediments. Some of the problems encountered by the JAs have been identified as follows:

- Lack of ability for management and ability of planning and development;
- Lack of leaders' management ability;
- Lack of products development ability;
- Inadequate system of national/regional level research institutions;
- Insufficient study and research of consumers' needs and trends of market;
- Failure to establish brand names;
- Lack of development of distribution channels;
- Lack of understanding between processed foods and perishable foods;
- Inadequate linkages with the public information, events planning;
- Insufficient public relations in rural areas;
- Shortage of raw material faced when enlarging the business scale;
- No linkages with Regional Agriculture Promotion Plan [RAPP];
- Raw materials are expensive;
- Operations are based on season;
- Shortage of assorting commodities;
- JA factories tend to operate independently;
- No establishment of cooperation system with members for management.

In the light of the experiences of Japan, potential factors that would influence the operation of cooperatives are: Customs of mutual help and assistance remaining in rural areas; Introduction of new crops and technology to increase productivity; Active participation of women members through women's associations; Employment of capable managers; Acquisition of operating facilities and linking credit with marketing; and, Guidance and education for improving production technology. Based on the above factors, some general requisites for an effective operation of an agricultural cooperative could be derived. These include: Promoting members participation - economic and organisational; Increasing membership by encouraging non-members, women and young people to join agricultural cooperatives; and, Promoting the utilisation of cooperative business by members.

## **Lessons Relevant to the Developing Agricultural Cooperative Movements**

Some of the most recent experiences of the Japanese Agricultural Cooperative Movement would indicate that the agricultural cooperatives have to be run on strong economic lines and direct their total efforts and service at the farmer-members/associate members who are the owners of the institutions and users of services. These are discussed briefly below:

01 *Creation of a Corporate Identity [CI]:* With a view to bring unity within the agricultural cooperatives and to highlight the quality of JA products, the Movement adopted a Corporate Identity – JA [representing the Japanese Agricultural Cooperative]. “JA” is printed on all products which are supplied through the agricultural cooperatives channels. CA “JA” is recognised as a strong commercial group just like any other CI and the brand is associated with fresh, healthy and good product.

02 *Amalgamation of Agricultural Cooperatives:* The main aim is to strengthen the JA group and to make the cooperatives economically viable. There is an ‘amalgamation’ trend in the country – banks, telecommunication companies, automobile companies and other business houses are merging together to enhance and consolidate their economic strength. JAs have been following this programme with the following objectives: making the farming operations viable, making the cooperatives strong and viable, and facing the market competitions bravely through a strong collective bargaining power. The process has been slow and painful. Some of the problems faced by cooperatives in the process of amalgamation have been: a] Division of assets and liabilities; b] Placement of personnel; c] Difficulties in arriving at consensus; and d] Egoistic attitudes of local leaders. The process is based on consensus and with the agreement of all the members. Government directives or instructions have no place in the process.

While there are several good merits of the process, several demerits have also been cited. Some of the drawbacks of the process of amalgamation have been stated as: a] Cooperatives will become too large to manage; b] Cooperatives will lose contacts with the members; c] Members will feel distanced; d] Bureaucratic tendencies will develop; e] Leaders due to their power and wide area of influence and business operations will get involved in local politics or may get involved in party politics; f] Failure of a large cooperative will result into huge economic losses, etc. Some of the amalgamated cooperatives have, however, shown good results.

03 *Farm Guidance Activities:* This concept is not only to provide technical information to the farmers on cultivation of various crops but also to assist their farmer to increase their income. The farm guidance activity revolves around the total economic business of the farmer as well as of the cooperative. The farmer is guided on technical and economic aspects of particular crops e.g., higher income can be derived by taking up floriculture instead of rice, or cultivation of a special variety of rice, or a special kind of tomatoes, and by the application of methods of cultivation e.g., hydroponics cultivation etc. The main aim of this service is to enhance the income. Without provision of this service, the JA is not called as a multi-purpose cooperative. Farm guidance is the key to the success and strength of the business of the JA. The service is linked with farm planning, provision of farm inputs and other supplies, and marketing of the ultimate product.

04 *Regional Agricultural Promotion Planning [RAPP]:* In the production of food the JAs are the basic units. Each farmer produces a production plan, the JA collates these plans and produces a comprehensive regional plan. The municipal/city administration and prefectural governments and the national government develop their respective plans, and support the basic farmers with inputs, technical advice, equipment and recognition. The RAPP not only produces a comprehensive agricultural promotion plan, but also summarises a few other things e.g., the quantity and quality of rice, barley, corn, fruits and vegetables, the approximate requirements of fertilisers, farm chemicals, farm implements etc. This data enables the JAs to prepare the supplies and timing of these supplies.

05 *One-Village-One Product Concept:* The JAs have supported the members to specialise in their respective products. Members are encouraged to improve upon the product. The co-operatives provide all the needed technical and promotional support. These village products eventually become the specialised products of the respective prefectures. Some of the examples are: Nagano's Fuji oranges, Kyoho Grapes, Carnations and Turkish bellflowers, Enoki-take mushrooms, pickled apricots, beef cattle; Fukuoka's Persimmon fruit, Kochi's cucumbers etc. are the result of the application of this concept.

06 *Diversification of Agricultural Practices:* JAs are not restricting themselves to produce rice and vegetables alone. They have taken up other activities e.g., herbs garden, green tourism promoted by the JA-Sawada in Gunma prefecture. The members of this cooperative decided to pool their lands to create a very large herbs garden which has assumed importance for green tourism in the country.

07 *Farm Management Centres:* These technical units are created to provide all services and equipment related to farming to the farmer-members. They provide technical information on the equipment, their use, and maintenance. Farmers find it very convenient to obtain all their supplies and the required technical information and guidance from one single point.

08 *Producer-Consumer Contact Markets:* These are often called 'Morning Markets'. The JA provides space to farmer-members to sell their products [fruits, vegetables, flowers, potted plants etc.] directly to the consumers without going through the process of middleman or local markets. These are usually located in one corner of the JA or its "A-Coop" Store. The idea is also to give a chance to the busy citizen/consumer to come in direct contact with the producer – the farmer, thereby creating a kind of goodwill for the farming community and the JA.

09 *Chemical-Free Food/Agriculture:* The concept is to meet the growing demand for "Fresh, Healthy, Safe and Chemical-free Food". Farmers are advised to gradually increase the use of bio-fertiliser and avoid use of farm chemicals. Farmers who are engaged in dairying, hog-raising and poultry business are often confronted with the problem of disposal of wastes. These are natural bio-fertilisers which could enhance the quality and safety of farm products. Under this concept the farmers are entering into purchase and sale agreements with each other, thereby, increasing the economic transactions and producing the safe and chemical-free products.

10 *Women's Associations:* These are supporting the JA in many ways. These are informal

groups but the structure is parallel to the JA structure – from the basic step to the national level. [There were 1,526 JA Women Associations with a total membership of 1.4 million as at the end of 1999]. These associations supplement and compliment the social and economic activities of the JA besides enriching the social aspects at the family level. They also contribute significantly in the operations of JA's "A-Coops" – large size departmental stores run by the primary cooperatives. In fact, these associations try to promote the business activities of JAs.

11 *Ethics and Good Governance in Agricultural Cooperatives:* By tradition the Japanese society respects the rule of law. The JA Board is responsible for the business operations, and in the event of economic losses, all the members are obliged to make good such losses. The elected officials e.g., board members and auditors are paid officials and their term of office is fixed. Decision-making and implementation process is based on the principles of 'accountability' and 'answerability'. There is a good and harmonious relationship between the chief executive and the Board. The Chief Executive is the Managing Director of the JA [who sits on the Board and is naturally well-informed of the trend of discussion and the decisions taken]. There are good ethics within JAs and everyone in power in the organisation – small or big – takes care of the members. Care for the community is another important factor for the success of JAs. These are: taking care of the aged through welfare homes and supply of their food and household requirements, medical facilities, establishment of child nurseries etc. These services are instituted because these are the needs of the community and the cooperatives have not to seek the permission of the government or any other authority to initiate such facilities and services except for obtaining the approval of their members. The JAs have good working relationship with the local governmental authorities and other non-governmental organisations.

12 *Open Membership:* The JAs have opened their doors to farmers and non-farmers in the form of Full Members and Associate Members. In the provision of services to both the categories there are no restrictions – the only difference is the right to vote. Associate members are not qualified to vote. Since the cooperatives are community/village based, it is the duty of the cooperative to serve all the members of the community. Also the inclusion of Associate Members helps increase the capital base and business operations of the JAs. In many countries, agricultural cooperatives do not serve the non-members and do not have the practice of formally accepting non-members as associate members.

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*"As to the Board of Directors and office-bearers, they happen to be the promoters, preservers and protectors of cooperative ideology, values and interests of members. On their conduct, convictions and outlook the efficiency of cooperatives depends to a large measure. There are ample instances where Boards have been responsible for the rise and fall of the cooperatives."*

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*"One of the main characteristics of the Japanese agricultural cooperatives is the fact that all the Japanese farmers belong to them. It is true that each farmer has decided to become a member of his own free will. However, we cannot forget enthusiastic efforts by the individual cooperatives, which were the forerunners of agricultural cooperatives, exerted in their campaigns soliciting all farmers to join the industrial cooperatives in the early part of 1900. It is true to say that farmers have been enjoying improvement in their social and economic conditions since they joined cooperatives."*

— Mitsugu Horiuchi

## Some Important Cooperative Publications

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**Total Quality Management Practices in Agricultural Cooperatives in Asia**  
by Daman Prakash & GC Shrotriya. ICA-IFFCO joint publication

**Paradigm Shift in the Management of Agricultural Cooperatives in Asia**  
by Daman Prakash & GC Shrotriya. ICA-IFFCO joint publication

**Environment and Cooperatives – Asian Regional Study Report**  
by GC Shrotriya & Daman Prakash. ICA-IFFCO joint publication

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*"As cooperatives cope with the need for larger, more integrated structures in order to deal with competitive forces, the joint venture approach may well be the model which best combines cooperative values with economic efficiency. Joint ventures enable cooperatives to combine their forces without losing their autonomy – in a completely different manner than is possible if they adopt the joint stock company formula. It is, however, essential that due consideration is given to the spirit behind the Principles of Cooperation which not only ensure but also guarantee freedom of action for the members and their cooperatives."*





## INTERNATIONAL COOPERATIVE ALLIANCE

The **International Cooperative Alliance [ICA]** is a worldwide non-governmental international association of cooperative organisations of all types. Founded in London on 18th August 1895 by the International Cooperative Congress, the Alliance has affiliates in 100 countries with over 200 national and 7 international level organisations as members serving over 850 million individual members worldwide. The headquarters of the Alliance are presently located at Geneva in Switzerland.

The ICA Regional Office for Asia and the Pacific [ICA ROAP], established in India with offices located in New Delhi since November 14 1960, serves 68 national level organisations from 28 countries and one international organisation [ACCU], representing nearly 580 million individual cooperative members at the basic level. Its main activities include: Coordination of cooperative development efforts within the Region and promotion of exchange and experiences; Project identification, formulation and evaluation; Promotion of establishment and development of national cooperative apex organisations; and, Organisation of technical training programmes, meetings, seminars and conferences on specific subjects including support for the programmes aimed at the involvement of women and youth in cooperative activities.

The Alliance enjoys Category-I Consultative Status with the United Nations Economic and Social Council [UN/ECOSOC] and has active working relations with UN and other international organisations.

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