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***Recent Changes, Trends
and
Developments of
The Cooperative Movement
in South-East Asia***



INTERNATIONAL COOPERATIVE ALLIANCE

REGIONAL OFFICE & EDUCATION CENTRE FOR SOUTH-EAST ASIA

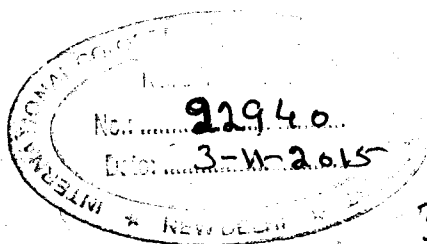
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RECENT CHANGES, TRENDS
AND
DEVELOPMENT OF
THE COOPERATIVE MOVEMENT
IN SOUTH-EAST ASIA

1. AUSTRALIA
2. INDIA
3. IRAN
4. JAPAN
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9. THAILAND

INTERNATIONAL COOPERATIVE ALLIANCE
Regional Office & Education Centre for South-East Asia
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A U S T R A L I A

AUSTRALIA AND AUSTRALIAN CO-OPERATIVES

PAPER PREPARED AND ISSUED BY

THE CO-OPERATIVE FEDERATION OF AUSTRALIA

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AUSTRALIA AND AUSTRALIAN CO-OPERATIVES

1. General Economy

Australia comprises a land area of some 7.7 million square kilometres. It covers more than 30 parallels of latitude and has a widely varied climate. More than one third of the country is in the tropics and normally snow falls only on the south eastern ranges during winter.

Lying within the south-east trade and prevailing westerly wind zones, Australia has its heaviest rains along the east coast north of the 30° south latitude, the southern limit of the south-east trades. Westerlies bring reliable rain to the south-western and southern regions of the continent.

Central Australia experiences up to three years without appreciable rain. At June 20th, 1975, the population was 13,771 million, an increase of 18% over the population at 30th June 1971. The population was distributed at June 1975, 86% urban, 14% rural, compared with 83% urban, 17% rural at 30th June 1971.

The value of production, manufacturing and retail sales was as follows:

	<u>30 June</u> <u>1975</u>	<u>30 June</u> <u>1971</u>	<u>Increase</u>
Value of agricultural production	\$6058 million	\$3643 million	69%
Value of mineral production	\$2650 million	\$1682 million	67%
Retail sales (excluding motor vehicles, parts & petrol)	\$16215 million	\$9649 million	69%
Manufacturing	\$15241 million	\$9697 million (1972)	57%

Rural Industry

Australia is a major producer and exporter of rural products. It leads the world in wool production and is a leading supplier of cereals, dairy products, meat, sugar and fruit. Rural production contributes between 7 and 8% of the gross domestic product and accounts for about half of Australia's export income.

Production in 1975-76 of wool was about 754 million kilograms; beef and veal 1.8 million tonnes; mutton and lamb 584,000 tonnes; wheat 11.82 million tonnes.

3. (ii) Federal and State Co-operative Structures and Institutions

Resulting from the spontaneous initiative of Co-operative leaders, each mainland State of Australia now has a voluntarily funded and governed State Co-operative Federation, comprising membership of most Co-operatives of the diverse range of activities utilising the Co-operative structure. The first of these State Federations was formed in 1919, the most recent in 1974.

In turn, these State Federations have formed a national body to perform services of an apex Co-operative body in Australia. This is the Co-operative Federation of Australia, with its Secretariat established in the Federal capital and with broad objectives (not in any order of priority):

1. Promotion, development, rationalisation of Co-operative activity in Australia, into an integrated Co-operative Movement,
2. Liaison between the Australian Government and diverse Australian Co-operatives.
3. International Co-operative liaison to assist development of Australian Co-operatives and to provide exchange of experience with overseas Co-operatives.

The thrift and credit type of Co-operative, credit unions, have established their own State and national organisations. Some members are affiliated with State Co-operative Federations and the national body of credit unions, the Australian Federation of Credit Union Leagues, is affiliated with the Co-operative Federation of Australia.

Terminating building societies have also developed their own Federal structure at State and national level, with a national organisation the Australian Council of Co-operative Building and Housing Societies.

Permanent building societies have similarly developed State and national structures, with the national organisation being the Australian Association of Permanent Building Societies.

The major insurance Co-operative, with branches in five of the six Australian States, is affiliated at both State and national level with the Co-operative Federation of Australia.

3. (iii) Role of Government in the Development of Co-operatives in Australia

Co-operatives in Australia developed as a result of spontaneous initiatives on the part of some community leaders and not as a result of a Government policy.

In March 1975 there were about 151 million sheep in Australia, producing about one third of the world's wool output. At the same date there were about 33 million cattle in the country.

Australia's commercial production of fish was 537,400 tonnes live weight in 1975-76. Australia also has active crustacean and mollusc industries.

2. Constitutional Development

European settlement commenced in Australia in 1788 and between that date and 1859 the continent of Australia and the island of Tasmania developed into six separate colonies of Great Britain. In 1901 the Commonwealth of Australia came into being by the federation of these six colonies, which became six States, each with its own legislature and administration. Today, the Commonwealth of Australia comprises these six States, and two mainland Territories administered by the Federal Government, with the Federal Parliament as the national legislative power.

3. Co-operative Development

With an early economy based perforce on agriculture, Co-operative activity commenced in rural areas to meet the needs of the farming community in providing farm inputs and assisting in better marketing opportunities for farm produce.

With discovery and development of minerals, initially gold and coal, in the latter half of the nineteenth century and concentrations of population in the mining areas, industrial type Co-operative societies began to be formed. The legislation under which these early Co-operatives were incorporated was based largely on the 1852 British and Industrial Provident Societies Act. This legislation is still applicable in three States of Australia. In some States, special provision was made for agricultural Co-operatives to be established as Co-operative companies, with a nominal capital and to be incorporated under special provisions of company legislation incorporating the basic principles of co-operation.

Corporate legislation, including Co-operative legislation, is a State responsibility. In three Australian States, Co-operative legislation has been updated to meet modern requirements and is usually of a form catering for all types of Co-operatives, with specific sections for rural Co-operatives, consumer retail Co-operatives, community Co-operatives, housing Co-operatives, consumer credit Co-operatives. In these three States, the Co-operative legislation is administered with the assistance of advisory committees established by statutory authority. In one State only in Australia is there a Government Ministerial portfolio allotted for the administration of Co-operative legislation and activity.

3. (1) Taxation of Co-operatives in Australia

Co-operatives, like other corporate entities in Australia, are assessed for their taxation liabilities under Federal legislation. Division 9 of the Australian Income Tax Assessment Act relates specifically to Co-operatives.

To qualify as a Co-operative for taxation purposes under Australian taxation law, the company must limit the number of shares which may be held by or on behalf of any one shareholder and the rules of the Co-operative must prohibit the quotation of its shares on any stock exchange or in any public manner.

Further, the Co-operative should be established for the purpose of carrying on any business having as its primary object or objects, one or more of the following:

- (a) the acquisition of commodities or animals for disposal or distribution among its shareholders.
- (b) the acquisition of commodities or animals from its shareholders for disposal or distribution.
- (c) the storage, marketing, packing or processing of commodities belonging to its shareholders.
- (d) the rendering of services to its shareholders.
- (e) the obtaining of funds from its shareholders for lending to its shareholders, to enable them to acquire land or buildings to be used for the purpose of residence or of residence and business.

In addition, a company may not be treated as a Co-operative in any year in which the value of business done with its members under one or more of the objects listed above is less than 90% of its total business under that head of business.

A Co-operative qualifying as such under the Income Tax Assessment Act, is authorised to deduct from its assessable income the amount of surplus distributed by way of dividend on share capital. A dividend is, however, taxable in the hands of the member recipient.

Distribution of surplus by way of rebate or bonuses, based on the business done by a member with his Co-operative, is also deductible from the assessable income of a Co-operative.

A third deduction to which a Co-operative may be entitled relates to the repayment to a Federal or State Government, monies loaned by such Federal or State Government to enable the Co-operative to acquire assets required for the purpose of carrying on the business of the Co-operative.

Taxation legislation as applied to Credit Unions provides for income being interest paid to the Credit Union by its members (not being companies) in respect of loans made to those members, being exempt from income tax.

Although Co-operatives in Australia did not develop as a result of structural and institutional reform introduced as a precondition by Governments, nevertheless Australian Governments, both State and Federal, have sought, usually as a result of submissions from Co-operative leaders, to introduce regulatory provisions for the protection and promotion of Co-operative philosophy in business.

The taxation provisions in respect of Co-operatives, the establishment of statutory Co-operative advisory Councils in some States, the provision for Co-operative representation on some statutory agricultural commodity marketing boards: one State in Australia provides Government guarantees under certain conditions for moneys advanced to Co-operatives; these are some areas in which Governments have assisted in the development of Co-operatives in Australia.

4. Sectoral Development of Co-operatives in Australia

4. (i) Thrift and Credit Societies

These Societies are known as Credit Unions in Australia and had their beginnings in this country in the mid 1940's, at the conclusion of the second world war. The concept of credit union activity was imported into Australia from North America and consequently credit unions have developed along the lines of those structured in that part of the world.

Credit Unions are now the most rapidly developing section of Co-operative activity in Australia. Assets of credit unions in Australia increased from \$31 million in 1965 to \$323 million in 1976. The average rate of growth over the eleven year period has been 34.7%. The total assets of credit unions have increased from .1% of total assets of all financial institutions in Australia in 1965, to .9% in 1976. Membership in credit unions totals about 1 million. They are mostly located in urban and industrial environments. Some consumer retail trading Co-operatives have incorporated credit union services as part of a further consumer service for their members and as an adjunct to debtors control problems.

Promotional discussions have been held and agreement in principle reached between leaders of the credit union movement and the Co-operative Federation of Australia for a closer collaboration between the respective organisations, in an endeavour to revert to the basic principles of Raiffeisen. A start has been made on implementing the initial groundwork plan in this objective, but progress is not likely to be rapid.

4. (ii) Agricultural Co-operation

In keeping with a country whose rural exports account for about 50% of the total export earnings, Co-operation in Australia is strong in the agricultural sector. Of the business done by Co-operatives, excluding credit unions and building societies, in the financial year ending June 1975, 80% was done by agricultural Co-operatives.

At that date it was estimated that there were about 390,000 producer members of agricultural and fishery Co-operatives in Australia, which had a combined turnover exceeding \$1.3 billion (Australian). This represented a growth of 64% over the results for the previous five year period, or an increased growth at the rate of 16% per annum for that period.

Dependent on the legislation under which they are registered, agricultural Co-operatives may be either Co-operative Societies with a capital structure related to its membership and the statutory maximum holdings per member, or a Co-operative company with a nominal capital structure. Whilst the policy making body of the Co-operative might be called a board of management in the case of a Co-operative Society and a board of directors in the case of a Co-operative company, the method of election of directors to these boards is virtually the same. This is by democratic process of election of qualified members by their fellow members of the Co-operative.

A common problem affecting most agricultural Co-operatives is that of raising adequate finance to meet the needs of development. Agricultural Co-operatives, like other Co-operatives and economic enterprises, share and in many cases compete for the same financing sources. However, Co-operative experience inhibitions not applicable to other companies in the raising of capital from members. These include the necessity to limit the reward to capital, and usually restricting capital raising to persons wishing to trade with the Co-operative. There are also restrictions on Co-operative members' voting power in relation to share capital and transferability of share capital. Some agricultural Co-operatives have recruited preferential capital with redemption rights as a supplement to members' ordinary capital. The well established practice of revolving capital by retention for fixed periods of part of members' surplus is also followed. In some situations agricultural Co-operatives have retained small proportions of surplus specifically as a non returnable reserve fund to accumulate capital. Joint ventures with Co-operatives and non Co-operative organisations have been entered into by some agricultural Co-operatives when capital or expertise is required beyond existing or foreseeable resources of those Co-operatives.

Agricultural Co-operatives exist at the primary and secondary level in Australia, but in the main those of the latter category are multi-purpose Co-operatives. The largest of these Co-operatives in Australia - in terms of overall turnover - is the Westralian Farmers' Co-operative Company which has its headquarters in Perth, Western Australia. This Co-operative, established as a small rural enterprise in 1914, today has a membership exceeding 16,500 farmers. Its members' funds exceed \$26 million and its annual turnover at 30th June 1977 was in excess of \$300 million.

The scope of Westralian Farmers activities has been steadily extended over the years. It now markets 30% of all wool sold by auction in Western Australia. It is a major marketer of livestock, hides and skins. It operates a real estate department for the sale of farms and other properties.

It processes and distributes milk and milk products. It purchases, processes and markets both locally and for export, meat produced by its members. It also processes and markets dairy produce, apples and pears, as well as cleaning and exporting a wide range of farm seeds and grain. It is a major supplier of farm machinery equipment, tractors, fertilisers and chemicals. It manufactures and distributes industrial gases and liquified petroleum products. In partnership with a non Co-operative it operates a large provender mill for the manufacture of a wide range of poultry and other livestock foods. Westralian Farmers also underwrites insurance and provides a rural banking service for its members. It charters ships for its international export trade and operates road transport services to the far flung developing areas of Western Australia. Through its retail store-keeping division it also provides centralised management and accounting services by agreement with other primary level Co-operatives which are members of the Co-operative Federation of Western Australia. For many years it has also operated a full scale travel agency service for its members and the public.

There are no agricultural Co-operative credit societies in existence in Australia, although some multi-purpose Co-operatives, in conjunction with commercial trading banks, do provide a source of credit for their members in some instances.

4. (iii) Marketing of Agricultural Produce

Although it would be correct to say that the strength of the Australian Co-operative agricultural movement has been in the area of marketing, many commodities produced in Australia are disposed of through statutory marketing boards, some of which developed after trial periods of Co-operative pooling schemes for the marketing of primary products. Marketing boards are constituted at the Federal and State Government levels.

4. (iii)(a) Grain

The sole marketing authority of wheat in Australia is the Australian Wheat Board.

Coarse grains are, however, marketed by various authorities including some State marketing boards, but in Western Australia the Grain Pool, a Co-operative organisation, markets coarse grains on behalf of growers.

Grain is handled throughout Australia in bulk on behalf of the various commodity marketing authorities. In the States of Western Australia and South Australia, this bulk handling service comprises grower owned and controlled Co-operative organisations. There is little or no on farm storage of grain in Australia.

(b) Dairying

Co-operatives account for the major part of the Australian production of butter. About half the liquid milk trade in Australia is handled Co-operatively.

4.(iii)(c) Sugar

One third of the sugar mills engaged in extracting sugar in its raw state from cane are grower owned and operate as full Co-operatives. Shareholding is maintained among active growers by tying the membership shares to the farm. When a cane grower sells his farm, his shares in the Co-operative are automatically transferred to the new owner.

(d) Rice

Rice production, processing and marketing in Australia is entirely Co-operatively controlled and organised.

(e) Cotton

70% of Australian cotton is produced and processed up to the milling stage by Co-operative organisations.

(f) Tobacco

About 65% of tobacco production is marketed Co-operatively. This industry is a fine example of close integration of interests between industry Co-operatives and a producer controlled marketing board.

(g) Vegetables

The bulk of vegetable trading takes place at the metropolitan markets of the cities concerned. While accurate figures are not available, it is estimated by the Co-operative Federation of Australia that about 40% of the country's vegetable production and marketing operations are controlled Co-operatively.

(h) Fruit, Vines and Wine Industry.

Australia is able to produce all its requirements of fresh fruit. The majority of the fruit canning industry is organised by producers in Co-operatives.

Nearly all Australian dried fruits are produced along the Murray River in Victoria and South Australia. In the main this is controlled Co-operatively from production through to marketing.

25% of Australian wine producing operations are in the hands of Co-operative associations.

(i) Wool

One sixth of the world's population of woolled sheep are bred in Australia and these are estimated to produce about one-third of the world's wool. Of this, 20% is marketed Co-operatively in Australia.

4. (iv) Co-operation in Farm Production

Statistics show that over the past ten years the total area of rural holdings has been reasonably consistent, whilst the number of rural holdings has been gradually declining. These statistics indicated that the average rural holding is about 2,000 hectares (5,000 acres). Despite the size of these holdings in Australia, the social and economic benefits of practical co-operation in production are as real and beneficial as in those countries where rural holdings are of much smaller dimensions. Good neighbourly practice of mutual help has always been a feature of rural activity, even of the "rugged individualist" Australian farmer, but usually these have been of an informal nature.

In recent years there has perforce been an increasing acceptance and application of Co-operative principles and practice in common utilisation of one or more of the factors of farm production. The simplest form is the joint use of machinery and formal machinery syndicates are now operating in most States of Australia. A less common Co-operative practice in farm production in this country - nevertheless one that is proving highly successful where correctly researched, planned, developed and managed - is for integration and joint use of the factors of capital, labour, machinery and crops, with land remaining under individual ownership, on lease to the Co-operative.

Some State Governments and academic institutions have allocated funds and/or personnel for the purpose of promotion of the concept of co-operation in farm production.

Artificial Cattle Breeding

In Australia, as in many other countries, improved stock breeding is increasingly using artificial insemination methods. In three States specialised Artificial Breeding Co-operatives carry out field work in this area of animal breeding.

4. (v) Fertiliser Co-operatives

As a result of widespread phosphate deficiency in Australian soils, phosphatic fertilisers account for a large proportion of usage both on crops and pastures. During 1973-74, usage of nitrogen, phosphorus and potassium in elemental terms was in the ratio of approximately 2:6:1.

The bulk of Australia's requirements of nitrogenous and phosphatic fertilisers is supplied by the domestic industry. Requirements of potassic fertilisers are primarily imported.

Of the 500 million hectares of land used for agricultural production including raising of livestock, products and crops, it is estimated 20% (25 million hectares) was subject to artificial fertilisation.

In one Australian State with about 3% of total Australian rural holdings, the processing and distribution of fertilisers is Co-operatively organised and controlled. This was achieved after the Co-operative acquired the fertiliser manufacturing interests of its private sector multi-national competitors.

In another State, with about 23% of total Australian rural holdings, the fertiliser manufacturing and distribution activities are in the hands of a triumvirate, one third of which is Co-operatively structured. At the time of preparation of this report, negotiations are advanced for the Co-operative interest to acquire the interests of the other two members of the triumvirate to provide a completely Co-operatively structured operation for fertiliser supplied to producers in that State.

4. (vi) Irrigation Co-operatives

Whilst several major agricultural producing areas of Australia depend on irrigation schemes for their continuance, so far as is known all these irrigation projects are operated by Government agencies and there is no Co-operative involved in this type of agricultural service in Australia.

5. Co-operative Banks

There is no Co-operative bank established in Australia.

6. Financing of Co-operatives by Governments

There is no Government bank for Co-operatives in Australia.

In some situations Governments make available loans to Co-operatives for specific projects and the repayment of these loans is a taxable deduction, as reported at para. 3 of this report. In other situations, Governments guarantee funds from private banking sources for Co-operatives.

Under legislation bringing into being the Reserve Bank of Australia (the central bank), provision was made for the establishment of a rural credit department, with the purpose of making short term credit available for the orderly marketing of primary produce. Under this provision the Reserve Bank may make advances to Co-operatives on specified commodities, to enable them to meet processing and marketing costs on behalf of their producer members. These advances require compliance with certain rules and principles established by the bank which are compatible with Co-operative principles. Given basic security and sound management experience, the level of advances available generally expands in relation to the level of production delivered and market prospects and value. The rate of interest charged is favourable and advances are normally renegotiated each year or each season. The use of this form of finance places processing and marketing Co-operatives in a favourable competitive situation for a large part of their working funds.

7. Consumer Co-operatives

Retail consumer Co-operatives in Australia operate up to date services in the supermarket tradition. They handle the main lines of consumer needs including foodstuffs, drapery and textiles, hardware and electrical appliances.

Detailed statistics are not available, but the information published by the Co-operative Federation of Australia shows 378 retail consumer Co-operatives with 633,000 members, with annual sales of A\$191 million at 30th June 1974. Compared with total Australian retailing operations at that date, the Co-operative sector of the retailing business represents 1.17% of the total Australian retail sales figure, excluding motor vehicles, parts, petrol, etc.

In one Australian State a Co-operatively financed and controlled fruit and vegetable wholesaling service has operated (and continues to operate) a viable, successful service for the past 30 years for its primary level Co-operative members. In recent years three States which previously operated a wholesaling service in food and merchandise for their primary level retail consumer Co-operatives, have disbanded these services for economic reasons.

The intense competition in the retailing industry created by private national and multi national operators, plus consumer protection activities by private groups and Governments in Australia, have reduced margins to a minimum and lifted the quality factor in the interests of consumers. By these activities, major objectives of retail consumer Co-operatives have been achieved by non Co-operative business in the industry.

The retail consumer sector of Co-operatives is not an expanding sector in Australia.

8. Housing Co-operatives

In Australia there are two types of Co-operative organisations associated with the housing industry.

One is the housing Co-operative which is a non-profit making group of people who band together to purchase land and build their own houses as a development project. These types of Co-operatives have been developed in two States of Australia and the Australian Capital Territory, where Co-operative legislation makes provision for the formation of community advancement societies. Participation has been fairly limited.

The other type of Co-operative associated with housing is the building society, which are Co-operative financial institutions. There are two types of building societies in Australia, each operating with the same basic objective of promoting home ownership. They are the Permanent Society and the Terminating Society.

The Permanent Building Society in fulfilling its objective has two distinct functions:

- (a) It accepts money from the public, pays interest on it and allows it to be withdrawn.
- (b) It makes loans to its members on the security of freehold or leasehold property.

The assets of permanent building societies increased from A\$276 million in June 1965 to A\$5022 million in June 1976. This represents an average growth rate of 30.2% over the period.

The proportion of total assets of permanent building societies relating to total assets of all financial institutions in Australia increased from 1.2% in 1965, to 5.6% in 1976.

Terminating Building Societies obtain funds under the Commonwealth/State Housing Agreement at subsidised interest rates and also from major private financial institutions. Eligibility for lower interest terminating building society loans is confined to persons on low incomes. These societies are wound up after their loans are repaid. Loans are generally over a 30 year period.

Assets of terminating building societies increased from A\$671 million in June 1965 to \$1175 million in June 1976, representing an annual growth rate of 5.2%.

Total assets of terminating building societies as a proportion of total assets of all financial institutions in Australia, decreased from 2.9% in 1965 to 1.3% in 1976.

Control of building societies is ultimately vested in the members who appoint a board of directors to supervise the management of the society's affairs. Directors usually retire by rotation each year and may be re-elected or replaced by other nominated persons who are eligible for election.

9. Insurance Co-operatives

Whilst Australia pioneered the mutuality principles of Co-operative life assurance, when the Australian Mutual Provident Society was founded in 1849, and whilst today many life insurance companies in Australia operate on the mutuality principle, for the purposes of this report they are not included as Co-operatives.

The Co-operative Insurance Company of Australia operates in the field of fire, accident and marine insurance. Through its subsidiary, C.I.C. Life Insurance Services, it is also involved in administration of life insurance. It has branches in five States of Australia and in Papua New Guinea, with the majority of its membership being primary level agricultural Co-operatives.

Gross premiums written in the last financial year total \$23.6 million - an increase of 21% over the previous year.

In the remaining Australian State, Co-operative insurance is undertaken by a department of Westralian Farmers Co-operative, which increased its premium income by 15% in the last financial year.

10. Fishermen's Co-operatives

Of the total fisheries operations around the coasts of Australia, it is estimated that about 55% are controlled by fishermen operating through 36 Co-operatives. These Co-operatives market the fish, provide cold storage facilities, assist members in the purchase of their boats, provide radio services including, in some instances, spotter aircraft services, and also assist in the procurement of other supplies which the fisherman requires for his trade.

The largest fishing Co-operative operates a sophisticated cannery and has established overseas markets for its products.

In addition it is operating in a joint venture with an overseas fisheries development.

11. Transport Co-operatives

In addition to the long distance road haulage service provided for members as one of the diverse activities of Westralian Farmers' Co-operative, the taxicab services in most capital cities in Australia are generally organised on a Co-operative basis. These taxicab Co-operatives mutually assist members in the business of taxicab owning and operating, particularly by procuring a radio base station and aerial and numerous telephone services. They also assist their members by maintaining suitable dress, working hours and conditions of cleanliness of cabs. They also assist in the purchase in bulk of petrol, oil, tyres and accessories for use by their members to repair, maintain and service their cabs.

12. Health Co-operatives

Co-operatives exist to provide medical services to members or other persons where a Co-operative retains the services of a medical practitioner. Co-operatives also exist to operate health and hospital facilities.

Another section of community activity providing services in the area of health and following basic mutuality principles are Friendly Societies. Since the mid 19th century friendly Societies have made available all types of health benefits, including sickness, mortality, medical, medicinal and hospital, on a contributory basis. At June 1965 the assets of Friendly Societies in Australia totalled \$90 million. At 30th June 1976 these assets had increased to \$200 million, which represented .2% of the total assets of Australian financial institutions at that date. Friendly Societies have co-operated together in local groups and established dispensaries and pharmacies for the supply of medicine.

13. Other Types of Co-operatives

Apart from the main groupings of Co-operatives given previously, Co-operatives in Australia have been formed to:

Provide sheltered workshops for aged and invalid pensioners to give them a feeling of dignity and independence while receiving financial return for services to the community.

Establish hostels and training colleges for Aborigines to develop Co-operative education of Aborigines and missionary personnel.

To restore and maintain historic buildings.

To operate community hotels.

14. (i) Education and Information Activities undertaken by Co-operatives and the Co-operative Federation of Australia

The Co-operative Federation of Australia issues a News Sheet which has wide distribution to all legislatures, public libraries, academic institutions, news media, member Co-operatives and other members of the public. In addition, the Co-operative Federation of Australia organises from time to time national conventions of all types of Co-operative representation. International Co-operative training programmes are also organised periodically in conjunction with the Australian Government as joint efforts to implement aid programmes. Officers of the Co-operative Federation of Australia prepare and distribute informative and research articles on Co-operative activity in Australia for local and overseas journals. They also prepare and present addresses to meetings of Co-operators, non Co-operators, for radio and television.

Liaison between State Governments and primary level Co-operatives is through the State Co-operative Federations. Since January 1975 the Co-operative Federation of Australia has maintained its Secretariat in the Federal capital and the spokesman for Australian Co-operatives with the Federal Government are officers of the Co-operative Federation of Australia.

Apart from the training institution established for development of Aborigines in Co-operatives, there is no permanent formal educational training institution for co-operators or students of co-operation in Australia. Some State Federations organise periodic programmes of training for directors, management and members. Conferences are arranged at State and Federal level to provide opportunities for interchange of ideas. Some Co-operatives and Co-operative organisations employ officials specifically for the purpose of organising and promoting education and training schemes for members.

14. (ii) Education and Information Activities undertaken by Government

Whilst there is no scheme of education or promotion of Co-operatives by Governments, State or Federal, in Australia, the Federal Government has published and circulated widely a paper prepared by the Co-operative Federation of Australia on the subject of Co-operatives in Australia. The Federal Government has also funded some research studies, but these have been mainly in the area of agricultural co-operation. Again in the area of agricultural Co-operatives, some State Governments actively promote the Co-operative structure as a farm management aid.

15. Government Policies towards Co-operatives

Whilst it would be correct to say that over the years all Governments of Australia of whatever political leaning have supported the concept and operations of Co-operatives, it would also be correct to say that initiatives for development of Co-operatives have come from the Co-operative sector and little or no Co-operative development can be attributed to the initiative of Governments in Australia.

At the Federal level there is no Minister, Department, Division or officer with responsibility for Co-operatives as such. In one State the Government established a Ministerial portfolio for administration of Co-operatives in 1949 and this still continues. In three States Co-operative Advisory Committees are established by statutory authority and these are comprised in the main of Co-operative leaders in those States, with responsibility to advise their respective Governments on matters affecting Co-operative development and operations.

Recent changes in legislation affecting Co-operatives in Australia are in the main concerned with financial Co-operatives, i.e. credit unions and building societies. The major change concerns the establishment of stabilisation funds to further protect the interests of members of these financial Co-operatives.

16. Problems facing Australian Co-operatives

The history of development of Co-operatives in Australia, separated in many instances by vast distances and the consequent separate development of strong centres of Co-operative activity, the declining rural population, changes in international and domestic marketing activities, the rationalisation and insidious spread of the tentacles of major national and multi national organisations, are all factors which, in addition to the more usual ones of adequate sources of finance, confront Co-operatives in Australia today and emphasise the need for greater collaboration to ensure continued successful development.

Creation of an awareness and understanding of this need is ever present in the policies and programmes of the Co-operative Federation of Australia.

Source of Research Material used in preparation of this paper.

1. Australian Bureau of Statistics
2. Reserve Bank of Australia
3. International Labour Office, Geneva
4. Australian Federation of Credit Union Leagues
5. Australian Association of Permanent Building Societies.
6. Co-operative Federation of Australia for statistics and previously issued papers.

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PAPER II : BY NAFED

COOPERATIVE MOVEMENT IN INDIA

GENERAL APPROACH TO COOPERATIVE DEVELOPMENT

The Cooperative as a socio-economic frame-work has been well-known in India since ancient times when people practised it as a way of life. But it was only in 1904 when cooperation was recognised as a corporate business proposition, "largely with a view to providing agriculturists with institutional facilities for obtaining the capital required for agricultural operations otherwise than on usurious rates of interest". With the attainment of independence in 1947, the Nation adopted a policy of planned economic development for establishing 'An integrated and just society, providing individual liberty in its sense, equality of opportunity and a basic economic minimum for all.' The First Five Year Plan recognised cooperation as an "instrument of planned economic action in democracy", suiting to the requirements of the Government for implementing the development plans particularly for agriculturists and the weaker sections of the society. With this end in view, the Government, both at national and state level actively sponsored and supported cooperative movement through active financial, administrative and legislative assistance. The First Five Year Plan stated, "as it is the purpose of the plan to change the economy of the country from a individualistic to social and cooperative basis, its success should be judged among other things, by the expansion to which it is implemented through cooperative organisations".

2. As a sequel to this the Govt. of India appointed an Expert Committee known as All India Rural Credit Survey Committee to define the approach to cooperative development specifically in agricultural sector. The Committee observed "Cooperation has failed in India, but it must succeed" and recommended a well defined institutional frame-work for cooperative organisation particularly for

meeting the needs of rural India.

3. Reiterating the approach enunciated in the First Five Year Plan, the second Five Year Plan maintained that building up a cooperative sector as a part of the scheme of planned development is thus, one of the central aims of the national policy. During Third Five Year Plan the main emphasis was given on diversification of cooperative activity. The plan further observed, "A rapid growing cooperative sector with special emphasis on the needs of the peasants, the workers and the consumers becomes a vital factor for expansion of employment opportunity and for rapid economic development". Based on the concept of growth with stability and social justice, the Fourth Five Year Plan outlined the approach to cooperative development "It will be a part of the policy during the 4th Five Year Plan to ensure that the opportunity before cooperatives as large and varied as they can utilise."

4. During the Fifth Five Year Plan also, the cooperatives have been recognised as an important institutional frame-work to ameliorate the conditions of weaker sections, particularly in providing inputs and working as an important limb of national public distribution system. The main thrust has been on strengthening primary level agricultural coops. so as to enable them in meeting the composite needs of their membership; strengthening consumer cooperatives as an important link in the overall national public distribution system; removal of regional imbalances in the cooperative growth and development of professionalised cooperative management at various levels through proper demarcation of function powers and responsibilities between Chief Executives and Board of Directors, and improving personnel management policies in cooperatives and strengthening the training programmes.

NATIONAL POLICY ON COOPERATION:

5. Till the completion of Fifth Five Year Plan the National Policy on the Development of Cooperative Movement was governed by

the Policy Resolution of 1958 which was adopted by the Government of India regarding approach to cooperative development. However, with the changes in political and economic complexion of the nation after March, 1977, the Government of India reviewed the old cooperative policy resolution and adopted a new one in December, 1977. The main features of the new Cooperative Policy Resolution, in brief, are:-

- i) Cooperatives to be built-up as one of the major instruments of decentralised, labour intensive and rural oriented economic development;
- ii) Close association of cooperatives with the process of planning and social change;
- iii) Cooperatives to be developed as an "Shield for the Weak".
- iv) Promotion of Cooperative Development on a national basis and removal of regional imbalances in the cooperative growth;
- v) Development of cooperation as an autonomous, self reliant movement free from undue outside interference and excessive control as also from politics;
- vi) Development of cooperatives based on enlightened participation of broad based membership free from domination of vested interests;
- vii) Removal of corruption and mal practices from the cooperative movement;
- viii) Development of a strong and viable integrated cooperative system for total and comprehensive rural development;
- ix) Development of a net work of Agro processing and industrial units;

- x) Development of consumer cooperative movement to strengthen public distribution system;
- xi) Formulation of stream-lined organisational system, simple and rationalised procedures for cooperatives;
- xii) Development of professional management for cooperatives;

6. The Policy Resolution was considered by a National Conference on the Role of Cooperatives in the Development of National Economy vis-a-vis 6th Five Year Plan convened by the NCUI in March, 1978. Based on the recommendations of the conference and views of State Governments and the national cooperative organisations, the Government of India have formulated a comprehensive 42 Point Action Programme to implement its Policy Resolution. Action Programme visualises concrete directions and suggestions to the cooperative movement and the State Governments to promote cooperation as a real instrument of socio-economic development, particularly that of weaker sections of the community. Further, it was decided by the Conference that planning for cooperative development should be done at two levels. Firstly, the movement itself should prepare its own plan of development at the level of every institution after assessing the needs of membership and availability of resources and secondly, the Government may prepare cooperative development plan taking cooperation as an agency of implementing governmental programmes. In line with this recommendation, the NCUI has constituted a Cooperative Planning Committee duly serviced by a Planning Cell. The Committee has recently prepared a plan for development of cooperatives as nucleus of integrated rural development. In this context, the Union is going to adopt four or five pilot projects through the adoption of villages wherein total and comprehensive rural development will be ushered in through the cooperative approach. The Union has also decided to create a cooperative rural development fund for giving catalytic support to

the rural development programmes undertaken by its various member organisations.

MULTI AGENCY APPROACH TO DEVELOPMENT

7. Till 1969, the cooperative institutions were recognised as "the main and exclusive agency for development" in certain economic spheres, particularly agricultural credit, marketing and processing, consumers cooperation, industrial cooperation etc. On account of the pressure of circumstances and the call of rapid economic development, the Government resorted to the policy of the multi-agency approach through ushering in public and private sector institutions to operate in those fields which were, hitherto, earmarked for cooperatives exclusively. To cite a few of those, commercial banks are operating along with the cooperative institutions in the sphere of agricultural credit, the public sector corporations have been set up to deal with marketing of agricultural produce, private trade and public sector corporations have entered in a big way in the distribution of chemical fertilisers as against the monopoly enjoyed by the cooperatives.

8. This has thrown new challenges to the cooperatives which have to be responsive not only ideologically but also operationally. The cooperatives have accepted this challenge and have been quick in re-organising themselves to meet the requirement of the situation. This process of re-organisation is still continuing. Their place in the over all set up of nations' mixed economy need to be re-defined in the context of effective articulation of energy and resources of the weaker sections of the society. In other words the cooperative institutions have to become a catalytic agent for bringing about social justice.

9. Taking note of this, the Fifth Five Year Plan visualizes for a comprehensive programme of the development of cooperative institutions, particularly in the under developed regions. A special scheme for the removal of regional imbalances in the

cooperative growth has been formulated to equip the cooperative institutions with sufficient resources and efficiency to shoulder the new responsibilities. However, to make total and imperishable impact of multi-agency approach, it becomes imperative to find ways and means for establishing an effective coordination between cooperatives and other agencies that have been assigned the development role.

STRUCTURAL CHANGES:

10. Conceptually, the organisational structure of cooperative movement is federal one spreading from primary level to national level. The strength of such structure presupposes strong units at primary level and active business collaboration between the units at all levels. Continuance of weak primary units and loose organisational and operational links between various units of vertical and horizontal structure of the movement is the main concern which is actively engaging attention of cooperators and Government. After rational consideration and analysis a bi-pronged approach with components of integrated service to primary level membership and fruitful inter-cooperative relationship is on anvil for implementation. The village level credit societies have been reorganised into Farmers' service Societies, Large Sized Agricultural Multi-purpose Societies and viable societies which will take care of multi-farious needs of the rural people in addition to extension of farm guidance services. Effective efforts are also under way to develop inter-cooperative relationship through the formulation of unified business strategy, development of managerial pools and cadres of staff at the level of higher federations and extension of promotional and consultancy services to the affiliated units. Entire cooperative structure will have to function in an unison so that it is in a position to withstand the negative forces of the mixed economy.

11. The subject of inter-cooperative relationship and structural efficiency in the cooperative movement was deliberated in cooperative leaders' Conference held in 1976 under the auspices of the National Cooperative Union of India. The Conference recommended that business coordination committees representing various sectors of the movement should be created at the level of the National Cooperative Union of India. The Conference further recommended that the N.C.U.I. should constitute a working group in inter-cooperative relationship so as to recommend suitable ways and means for improving structural efficiency of the cooperative movement and mutual business relationship between various sectors of the movement. The Union has constituted a working group which is likely to submit its report during the current year.

PROFESSIONAL MANAGEMENT :

12. Larger diversification and added business complexities presupposes efficient managerial resources at the level of cooperative institutions. The gains accruing out of structural reforms can be best capitalised only if the personnel maintained by the institutions are in a position to execute the policies effectively and efficiently. The cooperative institutions, on account of obviously reasons, have not been in a position to develop their own personnel management policies and practices. Since the movement was sponsored by the Government, the development of the personnel policies was also influenced, to a great deal, by the thinking of the Government. There is a need for defined personnel management policies in the cooperative enterprises through definite manpower development programmes. The approach in this direction is multi-faced one. Conducive conditions have to be created within institutions themselves so that they are in a position to develop their own human resources. Various aspects of personnel management e.g. recruitment, training, placement, continuous development, service conditions etc. have to be tackled together in the context of the totality of the situation.

13. **Induction** of professionals in the cooperative business institutions is the need of the hour and the cooperative institutions cannot escape from this. However, ways and means would have to be found out so that the professionals and representatives of the members work for the achievement of organisational goals. Growth with social justice, being the key-note of future economic policies the professionalisation of cooperative management will have to be directed in such a way as would reflect rational and effective blending of ideology and business efficiency.

14. The Government of India have appointed ^{an} expert Committee to examine various aspects of professionalisation of management of cooperatives at various levels. The terms of reference of the committee include examination of personnel management policy in the cooperative sector and various ways and means for introducing the concept of professional management in cooperatives. In 1976, the National Cooperative Union of India also organised a national Workshop on Employer-Employee Relationship in cooperative sector. The Workshop discussed in detail the personnel management policies of cooperatives and service conditions of cooperative employees. The Workshop made crucial recommendations on these two vital aspects which will go in long way in developing professional management in the cooperatives.

ROLE OF GOVERNMENT :

15. In line with the approach to cooperative development, the Government, both at Central and State level is actively involved in the development of cooperative movement, more specifically in the following directions:-

- i) Formulation of various policies and programmes from time to time at the level of Government ;
- ii) enactment of cooperative legislation and its execution;
- iii) coordination between public sector undertakings and cooperatives; and
- iv) financial assistance.

INVOLVEMENT OF WOMEN & YOUTH :

16. The movement has provided scope to the women and youth to participate in the economic development of the country. Increasingly, women are joining the cooperative movement particularly the consumer cooperatives. There are a large number of cooperatives especially industrial cooperatives, consumers cooperatives and thrift credit societies where membership is exclusively of women and many of them are managed by women themselves. The cooperative legislations in different states provide for representation of women on the board of management of cooperative societies at various levels. Two of the State Cooperative Unions have women as their elected President. There is a special member education programme for women, the details of which have been given later on.

17. The involvement of youth in the cooperative movement is very essential. With a view to educating the youth in the principles and concept of cooperation and practices and procedures of working of cooperative institutions, students cooperative societies/stores are being organised in the schools/colleges and universities. Every year the Union organises national essay and debating competitions of subjects relating to cooperative movement in order to provide a forum to the students for exchange of their views and reactions academically. Recently, the Union has introduced research fellowship for the benefit of university scholars. Under this scheme problems relating to cooperative movement are to be given to research scholars. Encouragement is given by the government to the unemployed educated youth to form cooperatives as a measure of self-employment. It is expected that a large number of youth and women would join the cooperative movement as a result of the various measures taken by the movement and the government.

18. In order to find out practical ways and means of increasing involvement of women in the cooperative movement, the National Cooperative Union of India convened an All India Conference on Women Cooperatives in 1976. The Conference was attended by

important women cooperative leaders of the country and it recommends practical steps to activate the involvement of women in the cooperative movement. As a part of follow-up action, the National Cooperative Union of India has initiated its efforts in monitoring of a cooperative educational programme for women introduction of pilot project for education in population, planning and family welfare; development of a scheme for integrated approach in population planning by primary health centres and primary cooperatives; advising the State Cooperative Unions in regard to strengthening of women wing at their level for effective implementation of cooperative educational programme for women.

19. As regards the youth, a National Convention on Youth Involvement in cooperative movement was convened by the Union in September, 1977. The convention discussed areas of involvement of youth in cooperative movement; teaching of cooperation in schools and universities; and a special cooperative education programme for youth. In line with the recommendations of this convention, a special scheme of cooperative education programme for youth has been prepared by the NCUI. Similarly, with a view to provide an impetus to the teaching of subject of cooperation in schools and colleges, an expert group appointed by the National Council for Cooperative Training of the National Cooperative Union of India has submitted its report which is under examination of the concerned Ministries, Departments in the Government of India.

COOPERATIVE CREDIT :

20. Cooperative credit is the most important sector of the cooperative movement. Its development during the last 10 to 15 years has been phenomenal. It may be pointed out in this context that an elaborate All India Rural Credit Survey was undertaken by the Reserve Bank of India in 1952. The Committee observed in its report of 1954 that the cooperatives were weak in the past and therefore they could not do much. The Committee further emphasised that the cooperatives needed strong financial base and therefore committee held that cooperatives need strong partner. The Government will

provide appropriate partnership. This Committee suggested the integrated scheme of Rural Credit on the basis of the following three principles:-

1. Government partnership in Agricultural Credit, marketing and processing societies.
2. Integration of the Credit Cooperatives with Marketing and processing cooperatives.
3. Management and administration of the cooperatives by the trained personnel.

21. The Committee also made many recommendations for the organisation and the development of cooperative movement. With the acceptance of the recommendations of this Committee and implementation of the same during the plan period, the cooperation became an integral part of Five Year Plans.

22. Cooperative Credit has two broad structures one providing 'Short and medium term agricultural credit' while the other providing long term for agricultural development.

23. For short term and medium-term agricultural credit, a network of about one lakh active primary agricultural credit societies are spread over the country which covers more than 97% of the villages in the country. The membership of these societies is 41 millions. Their working capital is Rs. 2071 crores and the figure of agricultural loans advanced during one year is Rs. 1275 crores. The total loans outstanding amount to Rs. 1457 crores.

24. In addition to supply of agricultural credit, these societies also supply farm requisites and consumer goods to their members. Farm requisites worth Rs. 310 crores and consumer goods worth Rs. 247 crores were distributed by them to their members in one year.

25. These societies federate in 343 Central Cooperative Banks organised at district level. These banks have a working capital of Rs. 2040 crores and a loan outstanding of Rs. 1428 crores.

26. 26 State Cooperative Banks with 36 thousand members and a working capital of Rs. 1287 crores are the apex organisations of cooperative credit structure at the state level. The loans outstanding at their level amount to Rs. 694 crores.

27. Cooperative credit institutions have been advancing loans to all types of farmers including the small farmers. But in recent years, the emphasis has been more on the coverage of weaker sections of the society and more loans are being advanced to the weaker sections. During one year of their operation 34 per cent of total loans advanced went to borrowers with holdings below 2 hectares, tenant cultivators and agricultural labourers. The total loans advanced to weaker sections amounted to Rs. 344 crores in one year.

28. As regards long term agricultural credit, there are 19 central land development banks with 893 primary land development banks and 668 branches, disbursing long-term cooperative agricultural credit to the farmers. More than 7 million individuals have so far joined the membership of these banks. Total working capital of these banks is Rs. 2371 crores. Total long-term outstanding amounts to Rs. 1117.52 crores.

29. More emphasis is being laid by these banks on the coverage of weaker sections. In one year Rs. 44 crores have been advanced as long term agricultural credit to 2,62,030 cultivators with land holdings upto 2 hectares.

COMMERCIAL BANKS AND COOPERATIVE
AGRICULTURAL CREDIT.:

30. In spite of steady growth of cooperatives, they could not cope with the increasing demand of agricultural credit. Consequently a wide gap was visible in the agricultural credit needs and its supply by cooperatives. The All India Rural Credit Review Committee (1969) identified this gap and it was felt that the structural and financial strength of cooperative credit structure in the country might not bridge the gap, which in turn may adversely tell on agri-

cultural production. For bridging the gap in the field of agricultural credit Commercial Banks were asked to channelise their resources for supply of agricultural credit. However, it was made clear at the very outset that the commercial banks were entering in the field of agricultural credit to supplement the efforts of cooperative credit structure and not to supplant it. In their five years of working the commercial banks have provided substantial amount of credit to the farmers. However, their performance in this field had not been commensurate with the needs. It was mainly due to the fact that the cost structure of commercial banks was very heavy. In order to see that the funds of commercial banks meant for agricultur are fully utilised, it was felt that commercial banks might, in addition to finance provided directly to individual farmer, finance primary agricultural credit societies on behalf of their members. The main object of the scheme is to bridge the production and medium term investment credit gap in agriculture. This scheme was introduced in June, 1970 and has established that even if the finances may come from other quarters, at the village level cooperatives are the only suitable agencies to meet the requirement of agricultural credit. 3453 primary agricultural credit societies have been financed by the commercial banks in the country under the scheme, which have advanced a sum of Rs. 17.2 crores as short-term agricultural credit in one season and Rs. 2.24 crores as medium-term credit in one year.

FARMERS SERVICE SOCIETIES AND LAMPS:

31. Unprecedented agricultural growth in several parts of the country, particularly in areas having assured means of irrigation multiplied manifold the demand for agricultural credit. The National Commission on Agriculture recommended the organisation of farmers Service Societies which could make available a package of inputs and custom services along with supporting services and technical advice through a single contact point. Though these Farmers Service Societies could be financed either by commercial bank or a cooperative bank but shall remain cooperative in character. The matter regarding the most appropriate institutional credit

structure for rural areas was further considered by the group headed by Shri T.A. Pai. The Group had also recommended that the organisation of societies on the lines of Farmers Service Societies as recommended by National Commission on Agriculture. These societies have been set up at selected places throughout the country. On the recommendations of Bawa Committee, large sized agricultural multi-purpose societies are being set up in tribal areas to meet all the requirements of credit, inputs and marketing of produce of tribals. It is hoped that these societies will give new dimension to the cooperative agricultural credit movement in serving the weaker sections of the society.

ROLE OF RESERVE BANK OF INDIA :

Recognising the crucial rôle of the cooperatives in the provision of credit to agriculture and the need for a sound cooperative credit structure, the responsibility to give a new life and potent leadership to the Cooperative Credit Movement in this country was assigned to the Reserve Bank of India. Ever since it was established in 1935, but more particularly after 1947 when the country became independent, the bank is providing re-finance to State Cooperative Banks 2% below the bank rate for short-term agricultural credit and $\frac{1}{2}$ % below the bank rate for medium-term agricultural credit. The bank is also maintaining two funds viz. Agricultural Credit (Long Term Operations) Fund and the Agricultural Credit Stabilization Fund. The Long Term Operation Fund is maintained by the Reserve Bank by making suitable appropriation out of its profits and is used for advancement of medium term agricultural loans to the State Cooperative Banks, investment in the debentures of land development banks and loan at concessional rates, to State Governments to enable them to participate in the share capital of cooperative credit institutions. The Reserve Bank of India is also providing long term loans to the Refinance Corporation out of this Fund which is being used for re-finance to agencies dispensing long-term and medium-term agricultural credit to the borrower farmers.

33. The Reserve Bank of India has provided finance at concessional rate of interest to the tune of Rs. 831.68 crores to State Cooperative Banks in one year. So far Rs. 65.6 crores have been advanced by the Reserve Bank of India to the State Governments for share participation in cooperative institutions.

PROBLEMS OF COOPERATIVE
AGRICULTURAL CREDIT :

34. In spite of its magnificent growth in the country, particularly after the implementation of the recommendations of All India Rural Credit Survey Committee Report (1954) the Cooperatives have been facing some problems which need to be solved. Some of these problems may be solved by the Government while others will have their solution by the cooperatives themselves.

35. Magnitude of credit is a very big problem for the cooperative credit agencies. Technological innovations in the field of agriculture, and price rise of fertilisers and agricultural credit. In addition, the willingness of the cooperative credit institutions to serve the weaker sections of the society has also increased the demand of credit. To meet this enhancement in demand of credit, the cooperative credit structure will have to mop up resources. It is hoped that the Reserve Bank of India will provide additional resources and the cooperative credit agencies will also gird up their loins to match the accelerated demand of credit requirement. It is gratifying to note that cooperatives have raised huge deposits in the recent past, which have enabled them to meet the increased demand of credit to a great extent.

36. Operational efficiency is another need of the cooperatives. Despite the fact that cooperative credit structure had been trying to ensure operational efficiency, there is still much scope for ensuring better operational efficiency. This may be ensured by the introduction of some legislative provision for making professional training compulsory for all the workers engaged in cooperative credit institutions.

37. Member education is essential for the success of cooperative credit movement. In institutions which deal in finances, member education has special significance so that the members may vigilantly supervise the work of the society as well as protect their own interest. The member education programme in this country, in order to achieve the desired level of success, needs more concentrated efforts.

38. The position of overdues in the cooperative credit institutions has been responsible for a retarded growth of cooperative credit. Cooperatives must see that such overdues which are due to wilful default of members are liquidated immediately. In case of members whose crops failed, the Reserve Bank of India should take corrective steps and ensure that the economy of such farmers is established and cooperative credit structure also does not suffer on account of such overdues. The need for such arrangement of stabilisation is more pronounced in the long-term cooperative agricultural credit sector, where no such arrangements exist at all.

AGRICULTURAL COOPERATIVE MARKETING :

I. Introductory

39. Marketing Cooperatives are important institutions to ensure increased income to the farming community, which may accrue due to new technological innovations in the field of agriculture. Increase in agricultural production will give no fruitful results to the farmers if the middleman exist to arrange marketing of agricultural produce. Well organised marketing cooperatives may save the cultivators from the exploitation of the middlemen and the malpractices of the trade.

40. The organisation of marketing cooperatives in India has not been subjected to any rigid formula of general purpose or specialised commodity societies. In multicrop areas general purpose marketing societies have been organised, while in areas of concentrated development of a particular crop specialised commodity societies have been organised.

41. In India, 3127 primary cooperative marketing societies are functioning, covering all important secondary markets in the country. Of which 592 are specialised commodity societies and the rest are general purpose societies.

42. The higher tiers consist of 170 district/regional level cooperative marketing societies, 25 Apex marketing Federations at the state level and the National Agricultural Cooperative Marketing Federation at the National level.

Business

43. The Fourth Five Year Plan had set a target of Rs. 900 crores for the cooperative marketing societies in the country for marketing of agricultural produce. As against the targets of Rs. 900 crores, the cooperative marketing societies in the country marketed agricultural produce worth Rs. 1100 crores. This performance of marketing cooperatives has been widely appreciated. In view of their performance, their targets have been more than doubled for the last year of the Fifth Five Year Plan i.e. 1978-79. The targets for 1978-79 have been fixed at Rs. 1900 crores for marketing of agricultural produce which will consist of food grains worth Rs. 800 crores, sugarcane Rs. 550 crores and Rs. 550 crores for other crops.

44. In India the working of most of the sectoral cooperatives is confined to one state only. Since agricultural commodities, though produced in certain pockets, are consumed throughout the country and also in other parts of the world, the marketing of agricultural commodities cannot be confined to one State only. Public sector undertakings generally manage the inter-state and export trade. Marketing cooperatives, which handle a substantial part of agricultural produce have also entered the field of inter-state and export trade.

45. In order to ensure supply of agricultural commodities like food-grains, pulses etc. to the Urban consumers, nearly 15918 primary cooperative consumer units are functioning in the country. In order

to eliminate a host of middlemen traders, the country is considering to have an effective and close link between the consumer cooperatives and marketing cooperatives which will ensure mutual advantage to both the producers and consumers. It is hoped that this will be achieved soon.

46. The business of cooperative marketing societies is not only confined to marketing of agricultural produce. They also act as an effective link between the primary agricultural credit societies and their members by arranging recovery of credit. This system is popularly known as 'linking of credit with marketing'. Under this system the cultivator member sell their produce through the cooperative marketing society, which pays the price to them after deducting the demand of the credit society. In some areas, specially Maharashtra and Gujarat States, the system has worked very well. Arrangements are being made to make linking of credit with marketing scheme more effective in the entire country.

47. Marketing cooperatives do not confine their operations to the handling of agricultural produce or recovery of credit. They have also entered the field of processing of agricultural produce in a big way. Processing of paddy, oil seeds, fruits plantation crops like cashew-nut, cardamom, etc. is being done in the country by marketing cooperatives and their processed commodities are very popular. Some of the processed commodities have entered the international market also.

Cooperative Sugar Factories:

48. Sugar industry is one of the major agro-based industry in India which not only produces sugar for home consumption but also for export. In this field also cooperatives have played a very important role in the country. Cooperative sugar factories are producing 47.9% of the total sugar produced in the country. By the end of the crushing season 1976-77, 119 cooperative sugar factories produced about 23.20 lakh tonnes of sugar as against 48.43 lakh tonnes of sugar produced by all the sugar factories in the country.

Consumer Cooperatives :

49. Importance of consumer cooperatives in the country was felt especially in the wake of shortages of essential commodities. It was also found necessary whenever the distribution of goods through normal trade channel was affected resulting in great hardship to common people, particularly those in lower economic strata.

50. The main objectives of consumer cooperatives are to provide protection to common people against exploitation, elimination of a host of intermediaries, sharing of surplus in relation to purchases, supply of quality goods and services at fair and reasonable prices, etc.

51. The earliest consumer cooperatives came into existence almost in the beginning of the century. They gradually developed and at present have come to a position to be considered as important in the distribution system. Under conditions of scarcity during the first World War, 1914-18, about 100 consumer stores were set up, mostly in urban areas. The Second World War again created conditions which resulted in organising cooperative stores to help improve distribution system. Many stores were organised to deal in controlled commodities as well as other daily necessities. By 1951-52 there were 9,757 stores with a total turnover of 82.15 crores as against 396 societies with a turnover of Rs. 57.15 lakhs in 1938 - 39, just before the commencement of Second World War.

52. But after the war and also when conditions of scarcity were receding the cooperative stores faced a period of recession. Many of them became defunct and languish.

53. The position became more favourable to take a fresh look at these stores when the country was threatened with external aggression in 1961-62.

54. The Third Five Year Plan took note of the situation and planned efforts were made to develop these stores, 'not only in the stabilisation of retail prices but also in preventing the evil adulteration in food stuffs'.

55. As per a regular programme new primary stores were organised and the existing ones were revitalised.

56. The programme envisaged setting up of primary stores and retail units for every 10,000 urban population and a wholesale store to serve an urban population of 50,000 and 20 primary stores.

57. During 1966 the working of entire scheme was reviewed and accelerated programme of setting up of 101 new wholesale/central stores and 2000 primary/branches, 43 big department stores and organising/strengthening of national State Federations of Consumers Stores was launched.

58. At present, we have a pyramidal structure of NCCF at national level, 14 State level Federations, 471 wholesale/Central Stores at city/district level, about 200 departmental stores, 500 branches, 15,918 primaries, 152 women's consumer societies at Mahila Super Centers at Taluka/sub-taluka level, 57 lakh consumer families as constituents. All together, the consumer cooperative network provided about 10,000 retail outlets of various sizes.

59. A number of consumer cooperatives have been organised among industrial and mining workers employees of Departmental and other public and private sector enterprises. There are 5,000 cooperative stores with about 23 lakh membership.

Performance:

60. In terms of retail trade, the Consumer Cooperative Stores which had created a record sales of over 400/- crores during 1974-75 and Rs. 550 crores during 1975-76, handled business worth over Rs. 600 crores in 1976-77.

61. The progress trends of consumer cooperatives may be summarised as follows:-

- a) The business of consumer cooperatives has been considerably diversified. Sale of non-controlled commodities handled by central/wholesale stores

which accounted for only 27% of their sales in 1966-67; increased to about 50%.

- b) Over 30% of the wholesale stores have set up their own department stores to provide wide range of goods and services. The department stores which were mostly opened in State capitals and districts are now also being set up in other towns so that semi-urban population can also have the benefit of modern retail facilities.
- c) The average sales of wholesale central consumer cooperative stores had risen from Rs. 35.99 lakhs in 1970-71 to Rs. 81.81 lakhs in 1974-75. About 67% of the wholesale central stores were operating in profit during 1975-76 as against only 40% in 1971-72.
- d) The primary consumer cooperatives have also recorded considerable improvement, both in their sales turnover as also profitability. The value of total sales of primary stores during 1976-77 stood at Rs. 315 crores as against about Rs. 130 crores in 1971-72.
- e) The sales turnover of State-level Federations has registered a steep increase from 14.85 crores in 1972-73 to Rs. 59 crores in 1976-77.
- f) At the national level, the NCCF has been providing progressively increasing support to consumer cooperatives in the country. The value of consumer articles supplied by the NCCF to consumer cooperatives had increased from Rs. 28.56 crores in 1973-74 to 63.99 crores in 1976-77. The gross profit of NCCF was nearly Rs. 220 lakhs in 1976-77.

62. The following in brief are other measures taken in this regard.

1. Cooperativisation of fair price shops.

2. Emphasis on special areas, like metropolitan cities, labour concentration areas, district headquarters areas etc.
3. Coordination between cooperatives and state Civil Supplies Corporations.
4. Coordination between consumer cooperative societies and marketing cooperative societies.
5. Getting a portion of manufactured goods in organised sector for distribution through cooperatives.
6. Arrangements for supply of adequate finances to cooperatives to cope up with increased trading activities.
7. Develop permanent clientele through efficient, cooperatives and prompt service by consumer cooperatives to their clients.
8. A systematic programme of improving the quality of controlled cloth and removing the various handies in effective implementation of distribution of cloth to the vulnerable sections of the community.

63. The consumer cooperatives hope to fulfill the great task of helping the public in many directions through their increased and useful activities.

INDUSTRIAL COOPERATIVES :

64. The term 'Industrial Cooperatives' in India is normally understood to cover cooperatives formed by workers and artisans such as spinners, weavers, carpenters, smiths, tanners, cobblers, potters, engineers, etc. and also small industrialists either for undertaking production or for providing facilities to them.

65. The main object of this sector is to help the weaker sections of the community to ameliorate their economic conditions and to help themselves, by providing various inputs required and arranging sale of their products.

66. According to the nature of the organisation of the society, the Industrial Cooperatives may be divided mainly into two categories (a) production type and (b) service type. Among

the production type, there are workshops set up by worker members in special trade which undertake the entire risk of business and own factors of production. The production in such cases is carried out in common worksheds under the supervision of the society and worker. members are paid wages either on monthly or on piece rate basis. Labour laws such as Factory Act, Payment of Wages Act etc. are applicable to these societies. There is another type of production society where members carry out production in their own cottages. The society provides raw materials, designs and specifications of goods to be produced and the finished goods received for sale on its own account. The members are paid wages on piece rate basis. Most of the Handloom Weavers Societies in the country are under this category.

67. The Industrial Service Cooperatives are those which do not undertake risk of production but offer services to their members by supplying raw-materials, tools, and equipments or helping them to sell their products.

68. The following are some of the industry-wise categories of Industrial Societies:-

1. Weavers Societies (handloom and powerlooms)
2. Artisanal Cooperatives.
3. Khadi Societies (Hand Spinning & Hand Weaving)
4. Carpenters and Black-smiths societies.
5. Metal Workers Societies.
6. Brick Workers Societies.
7. Potters Societies.
8. Engineers Societies.
9. Leather Workers Societies.
- 10.- Handicrafts Societies.
11. Women's Industrial Cooperatives.
12. Coir Workers Societies
13. Processing of Cereals and Pulses Societies.
14. Fruits and Vegetables Processing Industrial Cooperatives.

15. Co-operative Spinning Mills.
16. Co-operative Industrial Estates.
17. Co-operative Common Facility workshops.
18. Industrial Co-operative Banks, etc.

69. There are also federations of these societies organised for supply and sales purposes on single industry as well as multi-industry basis at Taluka, District, ^{State} and National levels.

Progress :

70. It is the second largest sector, next only to the agricultural co-operative credit service societies.

(a) Weavers' Co-operative Societies:

Apart from the National Weavers' Co-operative Society, there were 24 apex weavers' societies, 94 central weavers societies and 12,508 primary weavers' societies on 30 June, 1975. Of the primaries numbering 12,508 as many as 6,296 or over 50 per cent of the total were dormant. The total number of members of the primary weavers' societies was 11,02,577 on 30th June, 1975, of whom 3,50,695 represented members of dormant societies.

71. The primary societies had a working capital of Rs. 82.5 crores, comprising owned funds Rs. 25.5 crores, deposits Rs. 6.2 crores, borrowings Rs. 29.7 crores, other liabilities Rs. 18.2 crores and the undistributed profit Rs. 2.9 crores. The total sales of cloth during the year amounted to Rs. 136.7 crores, as against Rs. 128.6 crores in the previous year. The total number of looms in the primary co-operative sector was 8.6 lakhs, of which only 4.2 lakhs or about 48.9 per cent were reported to be operative during the year. They account for about 27% of the total handloom cloth production.

72. During 1974-75, 5,054 primary weavers' societies or 40.4 per cent of the total worked at profit, 2,607 societies worked at a loss, while the remaining 4,847 societies worked without any profit or loss.

(b) Other Industrial Societies:

There were one national, 16 state, 107 central and 26,195 primary level industrial societies (other than weavers) at the end of June, 1975. Of the primary societies, 12,801 or 49 per cent were active with a membership of 8,03,481. The aggregate value of production of the primary societies was Rs. 42 crores in 1974-75. Their sales declined from Rs.50.3 crores in 1973-74 to Rs. 44 crores in 1974-75. Only 6,231 societies or 24 per cent of the total worked at profit during 1974-75.

(c) Spinning Mills:

The number of cooperative spinning mills in the 16 reporting states was 68 in 1974-75. The number of spindles under their fold was 5 lakhs. The value of their production during 1974-75 was Rs.68.5 crores, as against Rs. 66.2 crores in the previous year.

Problems :

73. The Industrial Cooperatives, though contributing a lot to the national economy, face a number of problems. The artisan members of these societies constitute the weaker section of the community and cannot afford to invest adequately in the necessary outlay required to carry out the production and marketing activities effectively. Although, governmental assistance, both in terms of loans and subsidies has been made available, it is inadequate. Their credit in the organised banking sector as well as cooperative banking sector being small, they seldom get adequate accommodation from these banks inspite of the reimbursement facility at subsidised rates of interests from the Reserve Bank of India and often fall in the clutches of money lenders or other forms of intermediaries. Supply of raw materials and other inputs is another major problem faced by these societies. They are also handicapped for want of proper equipment and machinery required to carry on productive activities as a result of which the quality of their products is low and production costs higher. The problem of marketing of their

products is most ~~likely~~ due to higher costs, stiff competition from organised sector and preference of consumers to mill products, sales arrangements through Govt. emporia and sale depots of their higher level federations have also not solved the problem though they have eased it.

74. A sizeable percentage of Industrial Societies are dormant and only a smaller percentage come in the profit earning category. This is attributed to their small size, lack of member loyalty and inefficient management due to lack of competent non-officials and poor quality staff who manage them. Vested interest groups like master craftsmen and others have also entered into these cooperatives in one form or the other and exploiting them to their advantage. The attitude of departmental officials, specially at the field level is generally found to be hostile or unsympathetic which makes matters worse.

75. These problems are required to be tackled early to help this sector to stand on its own. The Government of India, the State Governments and several specialised agencies have come forward in a big way to promote and develop this sector. Various facilities, including finance and concessions have been given to the industrial cooperatives and they are being reorganised on viability basis.

76. The National Convention on the 'Role of Cooperatives in the New Economic Programme' held on 3rd September, 1975 had suggested to take necessary action to increase the coverage of the handloom weavers to make it 60 per cent by the end of the Fifth Five Year Plan. The All India Conference on Handloom Weavers Cooperatives held on 12th April, 1978 at New Delhi also emphasised for increasing coverage of weavers into cooperative fold.

The National Federation of Industrial Cooperatives, Rajendra Place, New Delhi - 110008 formed by various single industry federations, helps the Industrial Cooperatives specially by arranging marketing of their finished products. It also undertakes export of various commodities produced by member cooperatives. The All India Handloom Fabrics Marketing Cooperative Society also helps the member cooperatives in selling their products through its chain of handloom emporias internally and abroad. It takes part in exhibitions and fairs to popularise handloom products in India and other parts of the world.

77. The National Cooperative Union of India undertakes several activities for promotion and development of Industrial Cooperatives organising member education programme training of employees through

National Council for Cooperative Training. It also conducts studies to locate specific problems and to suggest remedies thereof, organises seminars and conferences. It also keeps liaison, with the Central and State Governments and other sectors of cooperatives to help the industrial cooperatives solve their problems and expedite the process of development.

Labour Cooperatives :

79. A fairly large section of the Indian Population represent the weaker sections of the community, consists of land-less labour who suffer from acute unemployment and underemployment, both in urban and rural areas. They suffer from poverty and scarcity and are exploited by the contractors and other forms of middlemen. Removal of poverty and attainment of economic self-reliance have been set as objectives to be achieved through planned efforts and various avenues of employment have been provided. Construction works schemes in semi-public and public sectors like construction of roads, irrigation projects, buildings, godowns, housing colonies, storages, have widened the scope of employment opportunities for the workers, both, skilled and unskilled. These work programmes are implemented through labour of these workers. When disorganised, they are at the mercy of the contractors, who work as intermediaries and take the major share of the efforts of the workers. The lot of the workers, could be improved on the basis of organised self-help through labour construction cooperatives. Labour cooperatives protect the member workers against exploitation of the intermediaries, improve their economic interest and also benefit the state and the community as a whole by means of effecting economies in the execution of costs of the work projects. Labour cooperatives also provide training ground for the members for democratic functioning which is very vital for every citizen of India.

80. Realising the vital role in the execution of the work programmes and great potential to benefit the weaker sections, the labour cooperatives got impetus during the 3rd plan onwards and liberal

financial support, other concessions and preferences resulted in a speedy growth of labour cooperatives. During 1971-72, a "Crash Scheme for Rural Employment" (CSRE), was launched as a non-planned programme by State Governments for providing quick and direct employment to a minimum number of labourers in each district. This scheme became a part of the planned scheme during 1972-73 which opened up new avenues of work for labour cooperatives.

81. As a result, number of labour contract and construction cooperatives increased from 2491 during 1960-61 to 7950 and membership from 1.86 lakhs to 4.47 lakhs during 1975-76. The value of works executed during the same period was of the order of Rs. 326.59 lakhs and 3186.82 lakhs respectively. The number of forest labour cooperatives increased from 77 to 1558 and their membership from 5967 to 184064. They executed works of the order of Rs. 3.45 lakhs and 861.13 lakhs during the same period. This shows speedy growth of labour cooperatives, both in terms of number, membership coverage and value of works executed.

82. Even though there is an over all improvement in the working of labour cooperatives, a deeper look reveals that these cooperatives are not in a position of strength. Majority of these primary cooperatives have remained dormant and 2264 labour contract and construction cooperatives only were in the category of profit earning societies during 1974-75. The average share capital and reserves per society including state participation amounted to Rs. 3643 and Rs. 2050 respectively, which is indicative of their weak financial position. Further their progress has been uneven in the various states. Majority of labour cooperatives in the States of Andhra Pradesh, Himachal Pradesh, Madhya Pradesh, Orissa, Rajasthan etc. have remained dormant. Their financial position weak and works executed poor. They also could not provide work to large sections of their member workers. On the other hand, labour cooperatives have fared well in parts of Maharashtra, followed by West Bengal, Punjab and Haryana respectively. Maharashtra and West Bengal accounted for half of the work executed by labour

cooperatives and only 6 states shared 83 per cent of the works executed.

83. Several major problems faced by labour cooperatives have been as under:-

(1) . The organisation of labour cooperative societies has not yet been completed and is in various stages of development in the country. At the base level, the primaries have been formed by the member-workers. But the second tier i.e. district labour cooperative federations have emerged only in 14 states, numbering 62. They have a mixed pattern of membership . In 7 states, the state level federations have been formed. Thus except in 7 states, the organisational structure of labour cooperatives as yet to be completed upto the state level.

(2) Another major problem faced by them is the inadequacy of finance, as they have failed to mobilise adequate resources internally and satisfactory arrangements for advances by cooperative banking institutions have also not been made. They remained to be neglected by the financing agencies and concessional finance from R.B.I. available to agricultural credit cooperatives, weavers cooperatives etc. has not been extended to this sector.

(3) They also have not been able to acquire adequate machinery and equipments required in the execution of jobs due to paucity of funds. Another important problem is that of lack of adequate work contracts. Both Central and State Governments have given various concessions and preferendes for works to be executed by the labour cooperatives. However, they have not been availed of by the labour cooperatives for one or the other reason. The contractors have also entered into the labour cooperatives and using them to their own advantage because of weak internal strength and membership comprising of people of small means. They have been facing the problem of poor management and efficient administration. They lack technical and managerial staff who could ensure effective execution of work programmes. Other problem of labour cooperatives has been that in several of the states the primary level cooperatives are either small or too large sized.

Future Approach:

84. In view of the commitment for improving the lot of economically weaker sections of the community, the labour cooperatives are required to be assisted by solving their various existing problems and providing additional concessions, facilities and reservation in the allotment of unskilled work. In the first instance, it would be necessary to reorganise these cooperatives, specially the weak and dormant on viability basis and to eliminate the influence of the contractors and other vested interest groups who have entered into the labour cooperatives. There is also need for attitudinal change by the officers of the public works departments and other work awarding agencies by recognising labour cooperatives as the most effective tool of executing the work programmes for helping the poor people and the community at large. Where necessary, the groups of societies may join hands to undertake works jointly which shall enhanced their capability to compete with contractors.

85. It is equally necessary that provision for share capital loans and state participation in share capital is made available in all the states, of the country to boost their internal resources. Concessional finance from Reserve Bank of India may also be provided for working capital and purchase of machinery and equipment through the financing agencies. It is also necessary that managerial assistance for appointment of technical and managerial staff is provided by the State Govts. to the labour cooperatives at various levels. The work awarding agencies may also lend their equipment and machinery to the labour cooperatives at reasonable charges. There is also need for establishing satisfactory rapport between the labour cooperatives, the cooperative department, the public works department and major work awarding agencies which could be done by the district/state level federations and other cooperative organisations like the State/National Cooperative Unions. The National Federation of Labour Cooperatives is being organised which shall play an

effective role in this sphere. Member-education to make the members aware of their rights and duties and their place in the execution of work programmes is also of vital importance which shall go a long way in promoting and developing the labour cooperatives on a sound footing.

Urban Cooperative Banking in India :

86. The Urban Cooperative Banks and non-agricultural credit societies are mainly organised to cater to the banking and credit requirements of the lower and middle class people comprising of small traders, business men, artisans, factory workers, salaried persons etc. in urban and semi-urban areas. The main objective of these banks and credit societies is the promotion of thrift and self-help among the members and collection of deposits from the public (in respect of urban banks) to augment resources for supply of credit to their members. Recognising their role as an important agency for meeting the credit needs of people of small means, the urban cooperative banks and non-agricultural credit cooperatives have grown over the years not only in number but also in complexity of their operations. The Working Group on Industrial Financing Through Cooperative Banks recommended for financing of small scale industries by the urban banking institutions. These banking institutions are expected to play an important role in the new context for speedy removal of regional imbalances in economic growth, aiding the industrialisation of small centres and meeting the credit needs of the weaker sections of the community.

87. Primary cooperative banks and non-agricultural credit cooperatives mainly have individuals as members and their area of operation is restricted under the bye-laws to the municipal limits of the town or a number of wards/zones in which the bank is located. Banks are also being organised with a district-wise area of operation and also a state-wise jurisdiction. An important feature of a cooperative organisation is democratic management and the board of directors of these banks are elected. However, some of the banks

have prescribed minimum share qualifications for eligibility for elections which is contrary to the cooperative ideology. Similarly, some banks are reported to be organised on a communal basis.

88. The landmark in the history of urban banking was the bringing of all these urban banks having a minimum paid up share capital and reserves of Rs. one lakh under the regulation of the Banking Regulation Act, 1949 (as applicable of the cooperative societies) w.e.f. 1st March, 1966. Salary earners societies whose bye-laws contained provisions for acceptance of deposits from non-members are also included under these regulations. Since the salary earners society caters to the credit requirements for consumers goods and other requirements of members, their membership is restricted to employees of a particular establishment and they are being persuaded to go out of the purview of the Act.

Progress :

89. The non-agricultural credit societies comprising urban banks, employees' credit societies (including salary earners' societies) and others numbered 18,573 as at the end of June 1976, as compared with 17,666 on 30th June, 1975. Of these, 1,133 societies were primary cooperative banks coming under the purview of the Banking Regulation Act, 1949 (as application to Cooperative Societies).

90. The membership of the non-agricultural credit societies as on 30 June, 1976 was 13 million. The working capital of these societies increased by Rs. 116 crores and stood at Rs. 1,032 crores. Their deposits amounted to Rs. 623 crores and formed 60 per cent of their working capital. The loans and advances made during the year amounted to Rs. 859 crores, as compared with Rs. 792 crores during the preceding year. Their total overdues amounted to Rs. 51 crores, forming 8 per cent of the total loans and advances outstanding at Rs. 655 crores, as against the overdues of Rs. 38 crores, forming 6 per cent of the total loans and advances outstanding at Rs. 605 crores at the end of the previous year.

91. The purpose for which loans and advances are granted by these cooperative banks are generally purchase of immovable property, building and repairs to house, petty trade and industry, purchase of consumer articles and house-hold goods, meeting of ceremonial and medical expenses etc. Advances by these banking institutions are generally made against mortgage of immovable property, pledge of gold and silver ornaments, personal sureties etc.

Problems

92. A defective feature of loaning is that a large proportion of advances are made without tangible security and against personal sureties. Granting of such loans presupposes intimate and personal knowledge of borrower members which is not feasible in present context of their growth. The R.B.I. has issued directives to restrict such advances to 1/3 of total time and demand liabilities of banks. It is also observed that loans granted on security basis are mostly against security of real estate although, they should be backed by tangible security which is of ~~has~~ readily markable value and free from encumbrance. A defective feature of their working is that these banks do not pay adequate attention to the actual end-use of credit. Advances of some banks are found to be concentrated in the hands of a few parties and members of board of directors. Such features of the working of these banks increase the hazards of banking and are required to be avoided.

93. Another undesirable feature in the loans and advances is that the loans and advances are more consumption-oriented than production-oriented. Their financing to industrial units is also very much limited, although it has been emphasised by various authorities and expert groups. These banks also suffer from low management efficiency because of lack of competent non-official leadership and poor quality staff.

94. The recovery position of these banks is quite satisfactory as the overdues constituted about 8 per cent of the total loans, and advances outstanding at the end of June, 1976. However, the

actual overdues vary from bank to bank and in some cases they are quite sizable. Some banks make inordinate delay in taking action against defaulters which needs to be avoided. Further, urban cooperative banks and non-agricultural credit societies have not made even progress all over the country. Maharashtra, Gujarat, Karnataka, Tamil Nadu, etc. have made very good progress whereas the progress has been very slow in states like Assam, Bihar, Haryana, Madhya Pradesh, Uttar Pradesh, Punjab etc.

Future Approach :

95. There is great urgency to take further steps for mobilising more resources internally by raising deposits as borrowings play a lesser role in their operations. Share capital participation by the State shall also go a long way in this direction. Another important step required is to effect production oriented policies for lending and greater stress on industrial financing by availing re-finance facilities from the Reserve Bank of India under section 17(2) (b) (4) (c). It is also required that these banks undertake credit planning and determination of priorities for granting loans and advances in a diversified manner. It is necessary that non-official leadership is developed and quality of staff improved by organising suitable education and training programmes. Steps should also be taken to broaden the representation on the board of management of these banks by removing various artificial restrictions to seek election.

96. An important impediment for successful working of these banks is dual control that of the Reserve Bank of India (in respect of urban banks covered under the Banking Regulation Act) and the Registrar of Cooperative Societies which put them to disadvantage. It has been experienced that many instructions issued by both these agencies vary and are found to be contradictory. In some of the States, the Registrar of Cooperative Societies have agreed to follow the directions issued by the Reserve Bank of India as far as financing and control policies of urban banks are concerned which needs to be adopted in the remaining states. But what is more

important in this context is the need to evolve a uniform pattern to regulate the working of these banking institutions throughout the country.

97. In conclusion, it may be stated that urban cooperative banks have over the years made good progress, especially in some of the states mentioned earlier. This number has increased and their resources and advances have also stepped up in volume considerably. It is of vital importance to organise and develop the urban cooperative banks in remaining states where progress has been slow so that they cater to needs of the people of small means, both in semi-urban and urban areas. The existing urban banks which are organisationally and operationally weak should be strengthened by providing necessary support. Concerted efforts are required to be made by the non-official leadership and the State Government concerned to bring about desired improvements so that these cooperative banking institutions could play an effective role in serving the weaker sections and middle class population of urban and semi-urban areas in the near future.

COOPERATIVE EDUCATION AND TRAINING

98. The need and importance of cooperative education and training has been recognised the world over for the success of the cooperative movement. In fact, the two are essential elements for cooperative development and for efficient working of cooperative institutions. In a country like India, where the movement was sponsored by the Government and is being used as an instrument for implementation of economic programmes, it becomes still more imperative to strengthen cooperative education and training. Efforts have been made in India, particularly during the last 15 years, to develop comprehensive programmes of education and training in the cooperative sector.

99. The National Cooperative Union of India - NCUI, State Cooperative Union - SCU and the District Cooperative Unions - DCUs

are responsible for promotion and overall development of cooperative movement in their respective areas of operation. From among various activities, of these Unions, implementation of cooperative education and training programme is a main activity.

COOPERATIVE EDUCATION

100. In India the cooperative movement was started in the year 1904. However, there was no systematic nation-wide and purpose-oriented cooperative education programme, although various commissions, working groups etc. which reviewed the working and progress of the cooperative movement recommended emphatically the need for education to enlighten members of cooperative societies. Only sporadic efforts were made in this direction by the Coop. Department and honorary workers. It was only after more than 50 years of the origin of the cooperative movement, that, preceded by a few pilot projects, a national wide cooperative education programme was launched in the year 1960.

101. The implementation of cooperative education programme is done in two ways (i) by the State Coop. Unions directly or through District Cooperative Unions and (ii) By the National Cooperative Union of India.

102. The SCUs conduct educational activities for different sectors and different functionaries of cooperatives through over 600 Coop. Education Instructors. They conduct courses for ordinary members of cooperatives, managing committee members, office-bearers and secretaries and managers of primary cooperatives. Some of the SCUs conduct educational activities for women and youth with a view to acquaint them with the philosophy, concept and ideology of cooperation and involve them in the working of cooperatives in their area. Duration of different courses vary from State to State and type of activities.

103. Of late, the NCUI considered it necessary to experiment educational approaches to make them need based and development

oriented. It was realised that education of the members, elected functionaries and paid employees particularly at the primary level was very important to strengthen the base of cooperative movement in different sectors. The members and elected functionaries were expected to exercise democratic control over the affairs of the society as also were responsible in strengthening their cooperatives and diversifying the activities of the cooperatives so as to ensure their socio-economic occupational needs. The overall objective of cooperative education was therefore considered to develop beneficiary cooperatives with a view to ensure better living to their members and members' families.

A FIELD LABORATORY

104. With a view to testing and developing various educational techniques, methods and approaches to make cooperative education an instrument of economic development and to improve the working efficiency of village cooperatives, a field project has been set up in the district of Indore in Madhya Pradesh in collaboration with the International Cooperative Alliance, the Madhya Pradesh State Cooperative Union, Madhya Pradesh State Cooperative Bank, the Indore Premier Central Cooperative Bank and local cooperative societies. The project covers 20 primary cooperative societies. The project team has one project officer, three cooperative education instructors, a farm guidance instructor and one specialist in dairy. The activities undertaken in the project are being diversified to include various social programmes, such as removal of illiteracy, population education etc.

105. Following the Indore experiment, several states, such as Gujarat, Haryana, Tamil Nadu etc. have adopted a project approach to intensify cooperative education.

INTENSIFICATION OF COOPERATIVE EDUCATION IN COOPERATIVELY LESS DEVELOPED STATES.

106. The growth and development of cooperative movement in

India is not a balanced one. There are States which are considered to be cooperatively developed. There is another set of States which are in the category of Cooperatively developing and there are certain States which are put in the category of Cooperatively Less/under developed. The Govt. of India have formulated various schemes for reduction of regional imbalances in the growth and development of cooperative movement. Cooperative education and training have been regarded as an essential input in developing human resources for the development of cooperative movement. Special schemes and projects have therefore been developed in the field of cooperative education and training to supplement the efforts of various developmental agencies working for the reduction of regional imbalances in cooperative education in these States. The NCUI is operating 15 such projects for intensification of cooperative education in the States, Assam, Bihar, Himachal Pradesh, Jammu & Kashmir, Manipur, Meghalaya, Orissa, Rajasthan and West Bengal. 30 more projects are being added during the Sixth Five Year Plan.

PILOT PROJECT FOR EDUCATION IN CONSUMERS COOPS.

107. The NCUI is operating 3 pilot projects for education in consumers cooperatives located at Ahmedabad in Gujarat, Madras in Tamil Nadu and Rae-Bareilly in Uttar Pradesh. It is proposed to increase the number of projects in the Sixth Five Year Plan.

SPECIAL EDUCATION PROJECTS FOR EDUCATION IN FISHERMEN COOPS.

108. The NCUI is operating 9 projects for Cooperative Education among Fishermen Cooperatives in the States of Andhra Pradesh, Gujarat, Karnataka, Kerala, Maharashtra, Orissa, Tamil Nadu, West Bengal and Union Territory of Pondicherry. These projects are assisted by the National Cooperative Development Corporation.

SPECIAL EDUCATION PROGRAMME FOR INDUSTRIAL COOPS.

109. The NCUI is operating a special scheme for education in Industrial Cooperatives through 14 Industrial Education Instructors in the States of Andhra Pradesh, Assam, Delhi, Gujarat, Jammu & Kashmir, Karnataka, Kerala, M.P., Maharashtra, Orissa, Punjab, Tamil Nadu, Uttar Pradesh and West Bengal.

110. The NCUI also proposes to implement special education programme for handloom coops., The programmes for industrial cooperatives are supported by the Department of Industrial Development, Ministry of Industry, Govt. of India.

SPECIAL EDUCATION PROGRAMME FOR YOUTH:

111. The National Cooperative Union of India has drawn up a special cooperative education programme for youth (CEPY). The Programme visualises special education classes for student and non-student youth. So far, the cooperative education programme for youth was imparted as a part of general member education programme conducted by the State Cooperative Unions, which are constituent organisations of the National Cooperative Union of India. During the year 1976-77, 238 classes for youth were organised which were attended by 7946 youths. During 6th plan it is proposed to start pilot projects for cooperative education for youth whereby the education will be taken as a development input for overall increasing participation of youth in the cooperative activity and for organising cooperative programme for economic development of the youth.

Special Cooperative Education Programme for Women:

112. The programme for Cooperative Education for Women is implemented in 13 states through 60 lady Cooperative Education Instructors with the NCUI as an overall incharge of monitoring and guidance giving agency at national level. In 1976-77 under this programme 320 courses for women were organised which were attended by 15198 women. In addition 274 meetings of one day duration during 1976-77 were also organised for women.

113. There is an exclusive women wing in the National Cooperative Union of India, which apart from monitoring the Cooperative Education Programme, takes up research studies, in the programmes of women cooperatives. The women wing has taken up case studies of good working women cooperatives and compiled important statistical information about the functioning of women cooperatives in various states.

- organises orientation courses for secretaries/managers and board members of the cooperatives.
- Organises seminars and study visits and study groups for secondary level cooperatives such as marketing cooperatives dairy cooperatives, cooperative bank etc.
- To assist the cooperatives in bringing out annual report as a tool for member education.
- To bring out handbooks for secretaries/managers and managing committee members of the cooperatives.
- To produce/procure educational material and teaching aids based on needs of different education programmes.
- Making occupational technical guidance such as farm guidance an integral part of cooperative education programme.
- Making assessment of educational activities an integral part of education programme.
- Making planning, supervision, guidance and post education follow-up an integral part of education programme.
- Providing opportunities to cooperative educators from different states of India and abroad to study integrated approach for cooperative development through education projects.

FUTURE PROJECTIONS

115. The NCUI proposes to undertake following activities during the Sixth Five Year Plan.

- Establishment of International Centre for Cooperative Education and Training.
- Setting up of a modern studio for production of education material and teaching aids for use in idifferent cooperative education programmes.
- Introduce special projects/scheme for experimenting programmes related to functional literacy for the members of different functionaries of cooperatives.

- Developing an Education cum Development Project for selected agricultural cooperatives in tribal areas.
- Help implementing coop. Education and Development Scheme in each State and Union Territory of India.
- Help developing special schemes/projects for different sectors of coop. movement which are not being covered so far.

POPULATION AND FAMILY WELFARE EDUCATION

116. The NCUI collaborated with the Govt. of India and the ILO in organising National Seminar on Cooperatives and Population problems in December, 1974. As a follow up of the recommendations of the Seminar, the NCUI organised 8 State level seminars in the States of U.P., M.P., Orissa, Bihar, West Bengal, Karnataka, Kerala. The NCUI has also incorporated the subject of Population Education and Family Welfare in the course contents of various education and training programmes. The NCUI has submitted a proposal for UNFPA Assistance for Project on Family Welfare Education in Cooperatives. It is also proposed to involve cooperative hospitals, and hospitals runs by cooperatives in imparting population and family welfare education and providing the post education services.

TRAINERS' TRAINING AND LEADERSHIP DEVELOPMENT

117. The National Cooperative Union of India has set up a National Centre for Cooperative Education at New Delhi. This institution has specialisation in teaching techniques and communication methods particularly relating to adults. It organises basic and orientation courses for different categories of personnel engaged in cooperative education programme. In addition, it also conducts courses for cooperative leaders of district level cooperative institutions. The work programme includes the following courses:

Name of the Course	Duration (in weeks)	Participants
i. Basic Course in Coop. Education	10	Coop. Edu. Instructor
ii. Orientation Course for Coop. Education Instructors	2	-do-
iii. Orientation Course for Farm Guidance Instructors	2	Farm Guidance Instructors
iv. Course for Supervisory Officers of Coop. Education Programmes.	2	Coop. Education Officers, Asstt. Coop. Edu. Officers etc.
v. Orientation Course for the Elected Leaders	2	Elected leaders of district level coop. organisations central societies like Distt. Coop. Unions, Wholesale Consumers Stores, marketing Societies etc.
vi. Special Course for Women	1 to 2	Women involved in Coop. activities.
vii. Special Course for youth	2	Youth involved in coop. activities including university/college consumers cooperatives.
viii. Special course for Leaders of Industrial Cooperatives including Handloom Cooperatives.	2	Elected leaders of the societies.

118. The NCCE functions in close collaboration with State Cooperative Unions, national organisations, government, International Cooperative Alliance and other institutions which provide resource persons for various courses.

COOPERATIVE TRAINING :

119. The National Cooperative Union of India has set up a National Council for Coop. Training - NCCT with effect from 1st July, 1976, replacing the Committee for Cooperative Training. The NCCT is in charge of personnel, employed in different cooperative institutions and coop. departments of the Government. It caters to the needs of:-

- Senior personnel.
- Intermediate personnel.
- Junior personnel.

SENIOR PERSONNEL :

120. For training of senior personnel, the Council has a National Institute called the Vaikunth Mehta National Institute of Cooperative Management at Pune in the State of Maharashtra. This is a research cum training institute for the cooperative movement. It conducts various courses as under:

Name of the Course	Duration in weeks
1. Post Graduate in Coop. Business Management	38
2. Coop. Executive Development Programme	7
3. Sectoral and Functional Programme for General Managers of Cooperative Wholesale Stores	5
4. Management of Cooperative Processing Units	4
5. Merchandise Management	4
6. Management of Industrial Cooperatives	4
7. Advanced Programme in Audit	4
8. Cooperative Marketing, Supplies and Stores	4
9. Project Planning and Evaluation	3
10. Personnel Management	3
11. Financial Management	2
12. Management Accounting	2
13. Material/inventory Management	2
14. Management of Communication	1

In addition the above Institute conducts short duration seminars and conferences for policy makers and key executives to discuss their managerial and operational problems.

INTERMEDIATE PERSONNEL :

121. Besides running the National Institute, the NCCT runs 16 Cooperative Training Colleges in different parts of the country. These colleges conduct the following courses for intermediate categories of cooperative personnel:

Name of the Course	Duration in weeks
1. Higher Diploma in Cooperation - H.D.C.	36
2. A condensed HDC	18
3. Diploma Course in Industrial Cooperation at Bangalore, Bhubaneshwar, Chandigarh, Indore, Kalyani, Lucknow, Madras and Pune.	18

- | | |
|---|-----|
| 4. Diploma Course in Coop. Banking at Madras, Trivandrum and Nagpur. | 16 |
| 5. Diploma Course in Land Development Banking at Hyderabad, Indore, Kalyani, Lucknow and Vallabh Vidya Nagar. | 16. |
| 6. Diploma Course in Consumers Cooperation at Bangalore, Kalyani, Hyderabad, Dehradun and Pune | 12. |
| 7. Diploma Course in Coop. Audit at Chandigarh Kota, Madras, Patna and Pune. | 12. |
| 8. Diploma Course in Cooperative Marketing at Bangalore, Dehradun and Pune | 10 |

122. In addition to the above, the colleges organise several short-term job oriented functional courses as per the needs of the movement.

JUNIOR PERSONNEL :

123. For training needs of the junior category of cooperative personnel, there are 68 coop. training centres/institutes which are run by the state cooperative unions/state Governments/separate cooperative societies. Most of them run the Junior Basic Course in Cooperation, Duration of these courses vary from state to state. Some of these centres/institutes also conduct courses in sectoral cooperation which are housing, farming, cooperative marketing, consumers cooperation and for sub-auditors.

1) Till March 1976, 6309 officers belonging to senior category 42580 officers of intermediate categories and 1,44,000 belonging to junior categories were trained in different courses.

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BACKGROUND PAPER

A BRIEF ON PROGRESS OF
AGRICULTURAL MARKETING COOPERATIVES IN INDIA

BY

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REVIEW OF PROGRESS OF COOPERATIVE
MARKETING IN INDIA

COUNTRY BACKGROUND

India is the second most populous and the seventh largest country in the world. Its population in mid-1975 was estimated at 597.9 million. It has an area of 32,87,782 sq.km. Lying entirely in the northern hemisphere, the mainland extends between latitudes 8°4' and 37°6' north and longitudes 68°7' and 97°25' east and measure about 3,214 km from north to south between the extreme latitudes and about 2,933 km from east to west between the extreme longitudes. It has a land frontier of 15,200 km and a coastline of 6,100 km. The climate may be broadly described as tropical monsoon type. Rainfall is erratic and ill-distributed. It varies from place to place and year to year. Some places in the North-East receive the heaviest rainfall in the world i.e. Cherrapunji gets 11,419 mm of annual rainfall, the highest in the country. In contrast, Rajasthan, Kutch and the High Ladakh plateau of Kashmir extending westward to Gilgit are regions of low precipitation. They get rainfall between 100 and 500 mm in a year. The average density of population per sq.kilometre in 1971 was 177. It varied considerably being as high as 549 in Kerala and as low as 29 in Sikkim and 6 in Arunachal Pradesh. 80 per cent of the population live in villages and 20 per cent (119.6 million) in cities and towns. According to the 1971 census, there are 5,75,936 villages and 2,643 towns/town agglomerations. Of the villages, 3,18,633 have a population of less than 500 and 6,332 a population of 5,000 and

over. They enumerated a total of 1,652 mother tongues, of which 15 languages have been specified in the Constitution.

AGRICULTURE

Agriculture and allied occupation provide livelihood to about three-fourths of the population and contribute nearly one half of the national income. The number of persons engaged in agriculture alone, according to the 1971 census, was 125.7 million - 78.2 million cultivators and 47.5 million agricultural labourers. According to the same census there are 70.5 million operational holdings in the country spread over an aggregate area of 162 million hectares. The average size of a holding is 2.30 hectares out of which net area under cultivation is 2.06 hectares. A half of the holdings are of less than one hectare whereas 2.8 million holdings are of 10 hectares and above. The area under irrigation is 29 million hectares or 21 per cent of the area under cultivation. Of the net area sown, 80.4 per cent is under food crops and 19.6 per cent under non-food crops.

AGRICULTURAL COOPERATIVE MARKETING

Marketing cooperatives have been in existence for nearly four decades. However, the development of marketing societies on a uniform basis and as a coordinated structure was initiated during the second Five Year Plan period, in pursuance of the report of the All India Rural Credit Survey Committee (1954). Marketing cooperatives have since made significant progress during the successive plan periods.

The network of cooperative marketing societies in the country comprises the National Agricultural Cooperative Marketing Federation of India (NAFED) at the All India Level, 25 State-level cooperative marketing federations, another 170 district/regional marketing societies and 3,173 primary marketing societies which cover all the important secondary markets of the country. In addition, there are seven State-level commodity marketing Federations. For catering to special needs of the tribal people, Tribal cooperative development corporations/federations have been set up in Madhya Pradesh, Andhra Pradesh, Orissa, Bihar, Rajasthan, Maharashtra and West Bengal. Primary tribal cooperatives are affiliated to these apex tribal bodies. There is also an inter-State Marketing Federation covering the States of Kerala, Karnataka, Tamilnadu and Maharashtra for marketing of arecanut.

The cooperative marketing societies are undertaking the following functions, all of which are aimed at assisting the farmers in the field of agricultural production:

- i) Marketing the produce of the farmers;
- ii) Supplying production requisites like chemical fertilisers, improved seeds, pesticides, agricultural machinery, etc; and
- iii) Supply of essential consumer articles, like sugar, kerosene, controlled cloth, foodgrains, etc.

These activities are undertaken through more than 50,000 outlets in the villages located in the interior parts of the country. The turnover of marketing cooperatives on account of the above three activities which was of the order of Rs.237.65 crore in the year 1960-61, reached the level of Rs.2967 crore in 1976-77 representing a twelve-fold increase over a span of a decade and half. The progress made by them over the year may be seen from the following table:

PROGRESS OF MARKETING COOPERATIVES *
(All types)

From 1960-61 to 1975-76 (Rs.in crore)				
Year	Agricultural produce marketed	Distribution of agricultural inputs	Distribution of consumer goods in rural areas	Total 3+3+4
(1)	(2)	(3)	(4)	(5)
1960-61	171	35.7	22.7**	237.4
1965-66	360	121.1	198.1	679.2
1970-71	649	317.4	154.4	1220.8
1971-72	844	364.8	180.1	1388.9
1972-73	921	392.6	163.4	1477.0
1973-74	1110	479.7	327.0	1916.7
1974-75	1434	711.3	395.1	2540.4
1975-76	1564	818.1	490.0	2871.1
1976-77	1573	853.0	541.0	2967.0°

(° Prov.)

* Source: NCDC Reports
** Pertains to 1961-62

Whereas marketing cooperatives fulfilled the target of Rs.360 crore in 1965-66 set out in the Third Plan in regard to marketing of agricultural

produce, they exceeded the Fourth Plan target of Rs.900 crore by marketing agricultural produce of the value of Rs.1100 crore in the year 1973-74.

5. In the course of the steady progress, they have acted as the main instruments for modernising our agriculture, by providing fertilisers, improved seeds and other inputs in the remotest rural areas. The working group on Sixth Five Year Plan has projected that by 1982-83 the value of agricultural produce handled by marketing cooperatives would be of the order of Rs.3,000 crore.

6. As a sector which functions throughout the country, that too in remote under-developed villages numbering several lakhs, there are considerable variations in the levels of performance of cooperatives from one State to another. Even within the same State, there are variances in the degree of development. While this situation may indicate areas needing greater attention, it also gives an idea of the vast untapped potential that still exists in the sector.

PRIMARY COOPERATIVES:

Membership

7. The membership of Primary Marketing Societies consists of primary agricultural credit village service societies and individual growers. The membership of Primary marketing cooperatives now covers 1,30,884 village service societies, accounting for 96 per cent of the primary societies which are active. The number of individual members of these societies at the end

of 1974-75 was of the order of 27.94 lakhs, as against 19.25 lakhs at the end of the year 1964-65. The average number of individual members per primary marketing society is of the order of 890.

Finances

8. The plan-wise progress of marketing societies in regard to share capital and own fund is given below:

FUNDS OF PRIMARY MARKETING SOCIETIES

(Rs. crore)

		Share capital	Own Funds
Second Plan	(1960-61)	7.49	11.70
Third Plan	(1965-66)	18.77	27.82
Fourth Plan	(1973-74)	35.22	63.90
Fifth Plan	(1974-75)	36.85	69.90

There has been marked improvement in the Share Capital position of primary marketing societies which has increased from Rs.7.49 crore in 1960-61 to Rs.36.85 crore in 1974-75. The State-wise position of share capital of primary marketing societies is given below:

SHARE CAPITAL STRUCTURE OF PRIMARY MARKETING SOCIETIES - 1974-75 (Thousand Rupees)

Share capital contributions

	Government	Members	Total
Andhra Pradesh	12885	12376	25261
Assam	N.A	N.A	N.A
Bihar*	7397	1817	9214
Gujarat	1824	16079	17903
Haryana	2296	3696	5992

(7)

	Government	Members	Total
Himachal Pradesh	1432	733	2165
Jammu & Kashmir	N.A	N.A	N.A
Karnataka	50338	13096	63434
Kerala*	7600	4557	12157
Madhya Pradesh	24524	15852	40376
Maharashtra	35868	23545	59413
Manipur	N.A	N.A	N.A
Meghalaya	N.A	N.A	N.A
Nagaland	N.A	N.A	N.A
Orissa	25460	3199	28659
Punjab	5843	5073	10916
Rajasthan	7856	5100	12956
Tamilnadu	22455	10594	33049
Tripura	750	225	975
Uttar Pradesh	13490	10807	24297
West Bengal	9290	5505	14795
- Chandigarh*	28	34	62
Delhi*	19	170	189
Goa, Daman & Diu*	95	54	149
Lakshadweep	140	282	422
Mizoram*	70	8	78
Pondicherry	45	27	72
Total:	229705	132829	362534

*relate to 1973-74

9. It will be seen from the above that Primary cooperatives of only 7 States viz. Karnataka, Maharashtra, Madhya Pradesh, Tamilnadu, Uttar Pradesh, Andhra Pradesh and Orissa account for nearly 75 per cent of the total share capital. The other 18 States/Union Territories account for rest of the 25 per cent.

This lopsided development is on account of two reasons: Firstly, the Marketing Societies themselves have not taken up a vigorous programme of collecting share capital from the members. Secondly, the State Governments, whose contributions to share capital of primary cooperatives vary from two to five times of the members contribution in cooperatively weaker States, have not rendered assistance uniformly in all States. The average share capital per society during 1974-75 was of the order of 1.39 lakhs. It has also to be stated here that out of the 3,127 societies, Government contribution has been made only in respect of 2,370 societies. The rest of the 757 societies accounting for nearly 25 per cent of the total number did not receive any contribution from the Government towards share capital. The share contribution by members, other than the State Governments, was of the order of Rs.1328.29 lakhs at the end of 1974-75 as against Rs.1,273.54 lakhs in 1973-74, registering an increase of Rs.54.75 lakhs. This is more than the additional contribution made by State Government during 1974-75. The Government contribution in the share capital of all primary societies was of the order of 64 per cent at the end of 1974-75. If the total owned funds are reckoned, the Government share capital contribution accounted for 33 per cent of the resources of primary marketing societies.

Business Activities:

10. The business activities of the primary marketing societies by and large, comprised marketing of agricultural produce, distribution of agricultural production requisites and consumer articles. The business undertaken by them in own

account as well as agency basis aggregate to Rs.786 crore during 1974-75, as against Rs.692 crore during 1973-74. Their business turnover in various activities since 1965-66 were as under:

TURNOVER OF PRIMARY MARKETING SOCIETIES

Year	Marketing of agricultural produce	Distribution of agricultural requisites	Distribution of consumers articles	Total
1965-66	13,361.04	6,190.95	1,413.98	20965.97
1969-70	20,290.38	15,069.21	9,776.85	45156.44
1971-72	39,925.35	16,337.85	8,368.81	64672.02
1972-73	36,761.41	19,597.13	15,252.31	71610.85
1973-74	27,416.00	22,072.83	19,712.05	69201.18
1974-75	28,403.00	27,619.25	22,567.05	78589.30

STATE FEDERATIONS

There are today 25 State-level general purpose marketing federations and seven special commodity federations. Though the membership of these Apex Federations is expected to be confined to primary marketing societies, they normally have members of other categories like primary service societies and even individuals. Out of the 3,127 primary marketing societies only 2,123 societies which were undertaking business activities were members of the Apex Societies.

NCD& ASSISTANCE

The National Cooperative Development Corporation which was set up originally in 1956 under the name of National Cooperative Development and Warehousing Board in pursuance of the recommendations of the All India Rural Credit Survey Committee, has played a key role in development of cooperative marketing & processing societies at all levels. The National Cooperative

Development Corporation was set up as a successor body to NCDWB in 1963. The Organisation was reorganised under an Act of Parliament in 1974. The Corporation is charged with the responsibility of planning and promoting through the cooperative societies, production, processing, marketing, storage, etc., of agricultural and allied commodities which are notified under the Act. The NCDC provides financial and expert technical assistance to the Marketing and Processing Cooperatives at various levels for implementing various schemes. The substantial contribution of share capital made by State Governments, to the extent of 91 per cent of the paid-up share capital of Apex Federation.

NATIONAL LEVEL

The National Agricultural Cooperative Marketing Federation (NAFED) was established on October 2, 1958. Its registered Office is in New Delhi with an area of operation extending over the entire country including the Union Territories. The objectives of NAFED are to render assistance to farmers through the marketing cooperative societies in the production, procurement, processing and marketing of agricultural and allied products within the country and outside and arrange for supplies of their requirements viz. agricultural inputs, machinery and consumer articles. It also undertakes various activities in support of farmers as well as the consumers at the instance of the Central and State Governments from time to time.

Membership & Constitution

All the State Cooperative Marketing Federations and those in the Union Territories are

members of the Federation. Its membership since 1976-77 is also open to primary marketing and processing cooperatives having a turnover of Rs.20 lakh and above, which in the case of cooperatively under-developed States is Rs.10 lakh. This broad-basing of membership has been aimed at ensuring direct participation of a large number of societies in inter-State and export trade undertaken by NAFED.

Operations

NAFED undertakes the following types of business :

- i) Internal Trade
- ii) Foreign Trade
- iii) Marketing and processing of perishables like fresh fruits, vegetables, eggs, etc.
- iv) Distribution of production requisites like chemical fertilisers, agricultural inputs, machinery, packing requisites, etc.

During the two decades of its existence the organisation has made considerable impact in conducting agricultural marketing operations in the fields of internal trade, export, agricultural machinery, perishable commodities and supply of inputs. The following figures indicate the growth of the organisation :

GROWTH OF THE ORGANISATION (Rupees in lakhs)

Year	Share capital	Own Funds	Turnover
1958-59	0.16	0.24	10.16
1963-64	0.37	12.69	82.11

Year	Share Capital	Own Funds	Turnover
1968-69	22.61	68.70	372.93
1972-73	47.00	123.59	704.34
1973-74	47.27	155.26	1607.04
1974-75	58.18	169.70	5043.86
1975-76	58.86	293.15	4483.52
1976-77	60.39	375.90	4058.47

Internal Trade

Activities of NAFED in internal trade are generally aimed at effectively fulfilling the dual objective of the Government, viz: providing fair prices to farmers and to stabilise prices of essential agricultural commodities by maintaining regular supplies to consumers at reasonable prices round the year. It also undertakes supervision of movement of fertilisers on the account of State Marketing Federations, which has resulted in reduction of transit shortages. NAFED has also arranged appointment of cooperative marketing societies as stockists of Cement Corporation of India for distribution of cement.

Export

The export of agricultural commodities through cooperative marketing sector has developed on a large scale only after the establishment of NAFED. The volume of exports of NAFED which was of the order of Rs.2.01 lakh during 1959-60 reached the level of over Rs.29 crore in 1975-76. The range of commodities exported by NAFED includes perishable and non-perishable commodities, forest produce, preserved fruits and vegetables, chillies, ginger, cardamom, turmeric, jute manufactures, fresh fruits

and vegetables, etc. NAFED regulates exports of commodities, like onion, potatoes, large cardamom etc., keeping in view the internal situation and the best interests of producers as well as consumers.

Price support scheme

Since 1976-77, the Government of India, have declared support prices for the benefit of the farmers in respect of groundnut, soyabean, sunflowerseed, mustardseed, gram and appointed this Federation as the canalising agency for undertaking price support operations. The Federation made elaborate arrangements for undertaking price support operations in these commodities through the network of marketing cooperatives. Detailed instructions about procurement, quality, storage, accounting procedure, etc., were issued to all concerned cooperatives for successful implementation for the scheme. Though no operations became necessary in respect of oilseeds except soyabean, the result was that the farmer felt secured of protection by getting remunerative price of his produce without involvement of any expenditure on the part of the Government.

Informal price support

The NAFED is also undertaking informal price support operations in respect of commodities like onion, potato, gur, ginger and to some extent raw cotton. The ginger growers in Mizoram were most benefited who were paid price support of Rs.70 . per quintal as against hardly Rs.20-25 a quintal three years ago. Since then, a better discipline has come to prevail and private traders have been

forced to offer reasonable prices to ginger growers. However during the current year, there was a glut in the production of ginger, as the Mizoram farmers were forced to resort to ginger production on account of abnormal increase in its rodent population, which spare only ginger. At the instance of the Government of India, the NAFED's entry guaranteed a minimum support price of Rs.90 a quintal and purchased one lakh quintals of ginger which was marketed in various parts of the country. Had this operation not been taken on a war footing, the farmers of Mizoram would have faced an economic disaster.

In respect of onion, NAFED operated a scheme of price support in Maharashtra and Gujarat where farmers were paid prices varying from Rs.45 to 60 a quintal as against the ruling price of Rs.15-20 a quintal. The stocks so procured were utilised for augmenting and balancing of internal availability.

The NAFED also took substantial procurement of gur in Uttar Pradesh during the current year when gur prices slumped to uneconomic levels. The entry of NAFED into the trade at the instance of the Government of India considerably reduced the losses to cane growers to a great extent.

Marketing of perishable commodities

The network of fruit and vegetable marketing cooperatives in the country comprises two State level Federations, 17 Central level societies and 237 Primary Societies. However, only 9 Central societies and 73 Primary Societies

undertook marketing activity, the value of which was of the order of Rs.1292.20 lakh. The cooperatives in Maharashtra and Gujarat accounted for nearly 95 per cent of the total value of fruit and vegetables marketed in the country. During the past five years, the NAFED has been undertaking marketing of fruits and vegetables on an increasing scale. NAFED started marketing of apples produced in Jammu and Kashmir, Himachal Pradesh and Uttar Pradesh on a large scale during the year 1972-73. As a leading agency in the field, it has since then been able to establish a full-fledged office and marketing yard in the Delhi market where nearly 2 lakh cases of fresh apples are marketed every year on behalf of growers as well as cooperatives as against 27,000 cases in 1973-74. The notable features of NAFED's activity in this field has been establishment of open auction system in the Delhi market and commission of a Cold Storage of apples in its Cold Storage and for the benefit of the growers. In addition, the marketing of fresh ginger produced in North Eastern Region continues to be undertaken on a guaranteed support price. The network of NAFED's branch offices and State Federations are also being increasingly utilised by NAFED for widening the network for apple marketing throughout the country. NAFED has now opened branch offices in Srinagar (J&K) and Simla (HP) for providing necessary liaison with the apple growers and the Primary Cooperatives there.

Potatoes

Potato marketing was taken up by NAFED during the cooperative year 1975-76, more as a measure of offering relief to farmers in

Punjab, Haryana and Uttar Pradesh who had suffered very heavily during 1974-75 due to gluts in the market, when many farmers did not take their produce to markets as the prices received by them were not sufficient even to meet the cost of packing, transportation, etc., and no help could be provided to farmers in the absence of any scheme of price support operation. It is in this context NAFED took up the task of exploring export market for Indian potatoes, which it was able to successfully organise by educating the foreign buyers and governments of the suitability of the quality of Indian potatoes both from health and marketability aspects. It was able to export a record quantity of 53,000 M/tonnes of potatoes valued at Rs.6.4 crore during the cooperative year 1975-76. In addition, the Federation was able to offer a guaranteed price of Rs.45 a quintal for graded potatoes to the farmers. Besides providing this remunerative price, NAFED also paid at the end of the season, a bonus of Rs.3 a quintal to all the farmers who had supplied potatoes at Rs.45 a quintal. During 1976-77, however, because of increased internal demand, NAFED exported a nominal quantity of 17,000 M/tonnes as against the target of 1.5 lakh tonnes earmarked for export by the Government of India. This, NAFED did with the explicit motive of maintaining internal prices in the interest of consumers. In both the years, NAFED had built up sufficient buffer stocks which was released in consuming areas of Delhi during off season for ensuring availability to consumers of Rs.1.20 a kilogram. This consumer price was much less than what the consumers had to pay during the off-seasons even during years when potato prices slumped to very low levels. The

entry of NAFED in the potato marketing has provided necessary encouragement to farmers and has also created a discipline in potato trade whereby the farmers are able to get remunerative returns and the off-season prices of potatoes for consumers are generally kept under check.

Onion

India is one of the important onion exporters in the world. NAFED entered the export trade of onions in 1966-67 in open competition through the private trade in recognition of its performance. The Government of India canalised the export of onions to Srilanka through NAFED in 1971-72. However, exports to Srilanka could not take place due to imposition of restrictions on the import of onions by the Government of Srilanka. However, NAFED continued its export of onions to other destinations in competition with the trade. Because of large number of complaints about low recovery quality, variations and spoilage in transit, the Government of India canalised export of onions to Malaysia and Singapore through the NAFED in November 1974. The Federation was able to increase the quantity of onion exports to these destinations by 150 per cent in 1975-76. In December 1975, the Government of India canalised the export of onions through NAFED to all permissible destinations in the world. Under the canalisation scheme, NAFED, as the canalising agency, adopted regulatory measures in such a way that farmers were ensured remunerative prices of their produce and consumers' interests were protected by maintaining regular supplies at reasonable prices. The statistical performance

of NAFED in the export of onions during the last three years is indicated below:

<u>Year</u>	<u>Quantity in M/tonnes</u>	<u>Value in Rs.</u> <u>laks</u>
1974-75	26253	272.77
1975-76	134962	1832.45
1976-77	140473	1828.93

Poultry

Poultry farming has come up as a source of supplementary income in a number of areas. However, because of the virtual monopoly of traditional distributive trade, poultry farmers had been facing considerable problems. The NAFED has started a poultry Division in Delhi which has now taken up organised marketing of eggs in Delhi by opening facilities of Cold Storage and the distribution network. During the short span of six months, NAFED has been able to handle 2.5 million eggs every month. It proposes to expand the coverage of egg marketing to other important consuming areas also. The object of NAFED is to minimise the price fluctuations in eggs for the benefit of farmers as well as consumers. The NCDC will provide necessary financial support to NAFED to undertake this promotional activity.

Fresh Fruits and Vegetables processing units

Fresh fruits and vegetable processing units have been installed in the cooperative sector for quite sometime. However, out of the 33 units, installed in the cooperative sector, many are dormant. The NAFED took up fruit and vegetable

processing for the purpose of providing an organised marketing channel. NAFED's processing unit at Delhi was commissioned in Delhi during 1976-77. It has already been able to market 310 tonnes of canned fruits in the export market. As an adjunct to its marketing plan, NAFED has taken up reviving of sick fruit and vegetable processing units in the cooperative sector. It has taken up two units, one at Vellore (Tamilnadu) and the other at Kushalnagar (Karnataka) on lease for the purpose of reviving them. In addition, NAFED has undertaken a comprehensive study for establishment of a large scale fruit and vegetable processing complex in the North Eastern Region under international collaboration with Fruit and Vegetable Processing Institute of German Democratic Republic within the overall framework of the Indo-GDR Joint Commission. The NAFED's joint study is for creation of large scale Fruit and Vegetable Processing facility in the North Eastern Region, with the object of exporting the products valued at Rs.15 crore per annum on a long-term basis. The integrated marketing facility of NAFED is aimed at giving considerable boost to cooperative processing of fruits and vegetables.

In addition, NAFED utilised cotton ginning and pressing units in Rajasthan, where it got large quantities of cotton processed at units which had become dormant for want of business. Similarly, it utilised the idle capacity of 35 cooperative oil units, in Gujarat State, by processing large quantities of groundnut and cotton seed which helped these processing units towards revival. The Federation has also helped revival of cooperative dal mills in Madhya Pradesh through whom large

quantities of lentils were processed before they were distributed through the public agencies in the country. Thus, the expansion of NAFED's activities by way of formal and informal price support and for consumer protection have been utilised to help revival of cooperative processing units as well.

Warehousing

NAFED has set up a Cold Storage and an Ice Factory at Delhi. Another warehouse of the capacity of 1800 M/tonnes at Delhi is expected to be commissioned during the current year. A Cold Storage, Warehouse, Dal Mill-cum-Packing Unit, potato and onion grading and packing unit and oil storage tanks are also coming up in greater Bombay. There are plans for setting up of food processing, warehousing and packing complex in New Okhlo Industrial Area, New Delhi. NAFED has plans to construct scientific godowns for storage of onions in the growing areas of Pimpalgaon (Nasik) and Poona in Maharashtra. In addition, 39 conventional type of godowns were made to meet the immediate storage needs.

Jute Mill

NAFED has entered into collaboration with the Industrial Development Corporation of Orissa for setting up of a large size Jute Mill in Orissa State involving an investment of about Rs.7.50 crore for improving the supplies of packing material to trade and exports in packing material on a stable basis.

Agricultural inputs

One of the areas of national significance in which marketing cooperatives have contributed to substantial development is in the field of distributing chemical fertilisers. It is largely because of the efforts made by the cooperatives that fertiliser use became popular even in remote areas. During the past two decades marketing cooperatives have taken all pains to open retail distribution points in interior areas for distribution of chemical fertiliser to farmers at a reasonable price. The volume of chemical fertilisers distributed by cooperatives has increased from Rs. 32.27 crore in the year 1961-62 to the level of Rs. 800 crore estimated to have been distributed by them as on June 1977. Cooperatives today handle only 60 per cent of the total volume of fertilisers consumed in the country.

Supply of agricultural inputs by cooperatives-value of inputs distributed

(Rs. in crore)

Year	Chemical fertilisers	Other inputs (Seeds, implements, pesticides)
1955-56	3.0	0.1
1960-61	28.22	7.5
1961-62	32.3	8.2
1962-63	39.5	15.2
1963-64	57.3	22.9
1964-65	72.8	30.8
1965-66	80.1	41.0
1966-67	114.4	44.8
1968-69	200.8	52.2
1969-70	232.5	48.7
1970-71	249.8	67.6
1971-72	288.7	76.1
1972-73	322.0	70.6
1973-74	400.0	79.7
1974-75	617.0	94.3
1975-76 (P)	715.7	102.4
1976-77 Estmtd)	800.00	125.0

Improved seeds

The cooperatives have made considerable progress in the distribution of other agricultural inputs like seeds. As compared to Rs.47.93 crore worth of improved seeds distributed by the cooperatives in the cooperative year 1973-74, their turnover amounted to Rs.51.06 crore during 1974-75. During the year 1975-76, the cooperatives would have distributed improved seeds of the value of about Rs.47.44 crore.

Pesticides/Insecticides

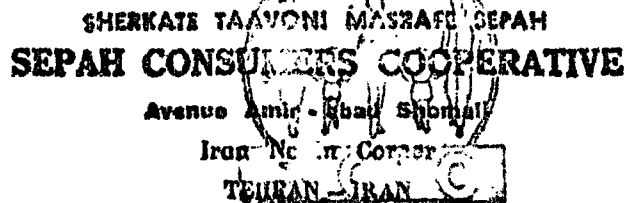
The turnover of cooperatives in the distribution of pesticides and insecticides during the cooperative year 1975-76 is estimated at about Rs.28 crore as compared with the performance of Rs.22 crore during the preceding year. Besides distribution cooperatives have also taken up formulation of pesticides and insecticides.

The country is on the threshold of an agricultural revolution. The increases in production of some commodities, and shortage of some others have been inducing crises for the producers as well as the consumers. The NAFED, as the apex body of marketing cooperatives in India, has been putting into operation the resources of the cooperative marketing structure from the primary level onwards for eliminating the nuisances following such aberrations. That some demonstrable results have been achieved during the past two years, not only proves that the NAFED and the Marketing Cooperatives have a great role to play for helping the country's economy, but also that they have the potential to undertake the task.

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Background Paper on the Cooperative Movement in Iran

A brief outline of the history and activities of the cooperative movement in Iran

The work of the cooperatives in Iran both in the past and present can be placed in three groups.

- (a) Activities of traditional cooperatives
- (b) Origin of rights of cooperatives
- (c) Establishment and growth of cooperatives

(a) Activities of Traditional Cooperatives

There is no record of when traditional cooperatives started in Iran, but as people are naturally born socially, we can guess that such cooperatives started when people started living in groups. Such traditional cooperatives can be found even nowadays in most of the far flung villages of Iran. Persian literature is abound with cooperation "one for all, and all for one"

Our religious teachings also emphasized to help and assist each other and in the execution of this ~~begly~~ religious belief and because of the faith in this heavenly instructions, big institutions for performing social, educational and welfare services have been established with the help of the people. Fortunately, some of these institutions are still in existence.

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(b) Origin of Rights of Cooperative Societies

During 1924 and 1925 for the first time in the laws of commerce, six articles have been added regarding the establishment and management of cooperative societies. In these 6 articles, two types of cooperatives are named : production and consumer. To complete the first law and regulations regarding the activities of cooperatives, a bill was passed in 1953 for the first time which consisted of 16 articles. This Bill includes all kinds of cooperatives such as consumer, production, sales of products, credit, construction and all other kinds of public services,

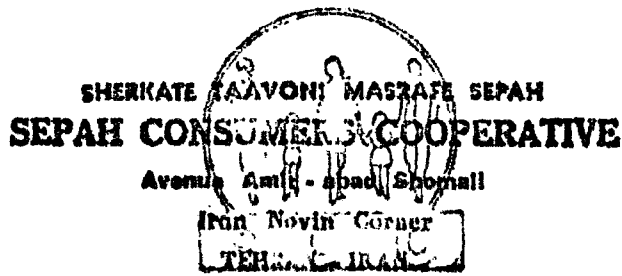
Between 1955 and 1973 in order to protect and create facilities and encourage cooperatives and cooperative education, new laws and regulations have been introduced. Supervision in the execution of these laws and regulations at present is borne by organisations which encourage, control and give credits to cooperative societies. These organisations are : Central Organisation of Rural Cooperatives - Agricultural Cooperative Bank - Northern and Southern Fisheries - Central Organisation of Cooperatives in Iran

(c) Establishment and Growth of Cooperative Societies

According to records, the first agricultural cooperative was established in 1939 with the help of the then Ministry of Finance. Afterwards several other cooperatives came into being. In 1949, another consumer cooperative society by the name of Army Consumers Cooperative (presently SEPAH Consumers Cooperative) was established with 14 members and a capital of Rials 32,700.- which at the end of the fiscal year 1977-78 i.e. after 28 years

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its capital was Rials 24,349,000 and the reserve capital Rials 398,489,478 and its members number 23,421. Its sales during 1977-78 was Rials 1,534,548,813 which has proven itself useful in combating against high prices and profiteering as well as stabilizing prices of consumer goods and secure the requirements of its members and other clients in Teheran. In 1968, this society was named SEPAH Consumers Cooperative and is also a member of the International Cooperative Alliance.

During 1940, the Agricultural Bank took a big step in laying the foundation of rural cooperatives. As the capital of this bank at that time was only Rials 300,000,000 (with only one-third paid-up capital) and application for loans from farmers exceeded too much, the authorities thought of adopting the French method by attracting the small savings of the farmers for investment in agricultural affairs. To bear fruit, the first rural fund was established in this bank and in order to establish such funds, a regulation was passed to encourage the farmers to invest in these funds i.e. $\frac{1}{4}$ interest of the first loan was exempted to the farmer subject he buys shares in these funds to the equivalent of the exempted interest or one share. In this way, such funds were established. This programme continued till 1953 and till that time there were 101 funds in 101 parts of Iran. As mentioned in "Origin of Rights of Cooperative Societies", the government in order to help the workers and farmers introduced from 1947 to 1952 with the help of the bank and established 80 rural cooperative in

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different parts of the country. Finally in 1953 with the change in rules and regulations these 101 funds were changed to rural cooperative societies and by 1962 there were 950 agricultural and rural cooperative ~~societies~~ societies.

From the start of land reform in 1962, the activities of the Agricultural Bank increased tremendously so much so that in the early part of 1963, there were 2092 rural cooperative with a total membership of 459,401 and a total capital of Rials 295811250 and in the latter part of 1963, the Central Organisation of Rural Cooperatives was formed to give technical and financial assistance as well as administrative help to these cooperatives. In 1952 on the orders of His Imperial Majesty Arya Meher the Development and Rural cooperative Bank was established (presently Bank Omran) to give loans and assistance to the farmers who had obtained from the distribution of the royal lands. This bank established credit cooperatives for the small land holders and within ten years established 745 credit cooperative societies with a total membership of 25382 farmers. These cooperatives were formed in five regional unions.

In 1949, an organisation of cooperative societies and rural funds ~~was~~ was created within the Plan Organisation which till 1961 had attractive educational activities especially by publishing useful cooperative publications in Persian in 28 volumes. This organisation in 1952 in order to train specialist utilized the services of foreign specialists for the first time in courses of one year and this activity continued till 1956. With the establishment of Ministry of Labour by utilizing the services of foreign specialists, this ministry ~~propagated~~ propagated the principles of cooperation among the workers. And for this reason, for the reason, for the first time in 1957 issued a publication in Persian regarding cooperative

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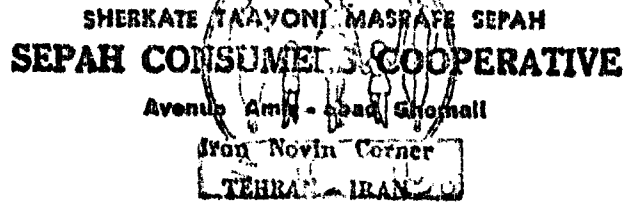
societies and the principles of cooperation. From 1955 to 1971, a council was set up in the Ministry of Labour comprising representatives from the ministries of Finance, Agriculture and Interior and the Plan Organisation under the Chairmanship of the Minister of Labour to co-ordinate the activities of cooperatives, to educate and look into and solve the problems of cooperatives. To arrange and approve the articles of association and has taken useful steps in the performing of its duties. Moreover, from 1955, this ministry has published many publications in Persian regarding the establishment and running of cooperatives.

The Land Reform Organisation during 1961 was established and also in the execution of its duties and after the formation of the Central Organisation of Rural Cooperatives established 737 rural cooperatives amongst the farmers who had obtained land under the land reform. From 1948, the then Ministry of Education included cooperation in the curriculum in the agriculture college and from 1956, so that the students have also practical experience, they were allocated to cooperative societies who after completing their studies were sent to villages to teach and instruct the villagers in running their cooperatives. In mid 1963 the Central Organisation for Rural Cooperatives with a capital of one billion rials started to help the farmers and villagers who had obtained land through land reform directly and with the assistance of the regional development organisations.

In 1974, in order to strengthen the finances and increase the technical facilities and other useful services for the rural cooperatives, the Central Organisation for Rural Cooperatives merged the rural cooperatives into one and another so that these new units with better management can serve the farmers in securin

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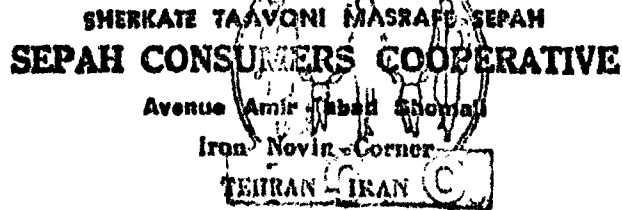
their requirements and other agricultural needs such as necessary machineries, sources of drinking water, warehouse, electricity, etc. At present, there are 2914 rural cooperatives with a total membership of 2949502 and 152 regional rural cooperative unions. The followings are their works:

1. Training of supervisors to guide and supervise the rural cooperatives.
2. To help establish and run rural cooperatives and unions.
3. To check the credit requirements of the rural cooperatives and unions and submit same to the Agricultural Bank and see how the loans are spent.
4. To lay the foundations and do services for the farmers who are members.
5. To seek help and assistance both from government and private institutions for farmers.
6. To evaluate members' products.
7. To establish cooperative ~~and~~ educational courses for farmers
8. To train managing directors for rural cooperatives.
9. To help keep books and other financial affairs of rural cooperatives.
10. To check the accounts of rural cooperatives and unions.

In 1960, from the contributions made by the employers and employees towards social insurance, the Worker's Welfare Bank was established. One of the duties of this bank is to grant loans to workers and workers' cooperatives. The bank, to perform this task in its programme encouraged workers to establish workers credit cooperatives and was successful in forming 520 workers credit cooperatives in several industries during a programme within 10 years. The bank also trained managers to run these cooperatives.

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In 1965, the National Iranian Oil Company established the Oil Industries Consumer Cooperative throughout the country to secure the daily requirements of its employees. This consumer cooperative organisation has stores in several parts of the country.

In 1950, the Iranian State Railways established consumer cooperatives for its employees and workers in different parts of the country and within ten years formed 15 consumer cooperatives with 24 stores. These cooperatives are members of a consumer union which secures their requirements from first hand.

In 1971 the Ministry of Finance in its programme to assist the handicraft industries, encourages these people to form such cooperatives in order to procure tools and raw materials for their work.

In 1967, on the orders of His Imperial Majesty the Shahinshah Arya Mehr, an organisation to co-ordinate the activities of cooperatives in Iran was formed under the direct supervision of the Prime Minister. Presently this organisation is under the supervision of the Ministry of Commerce and continues its activities.

In order to give more cooperative and technical information, this organisation, directly or through contacts with other institutions has arranged special courses for the Board of Inspectors - Managing Directors - Store Managers - Salesman - Book keepers etc.

In order to have a new cooperative law, this organisation (The Central Organisation of Cooperatives in Iran) collected and studied

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the laws of 16 countries and finally prepared a new law for cooperatives in Iran with 149 articles. This cooperative law was passed in 1971 which now supervises the work and protects the cooperatives in Iran.

In the fifth five year plan, this organisation to help the cooperatives technically, financially and administratively has set up 14 warehouses each 2½ tons capacity for the union of consumers cooperative - purchase of trucks and mini trucks for distribution of goods to cooperatives. It has also financially helped built 50 stores in Iran for consumer cooperatives.

From 1971, this organisation has paid special attention to cooperative education and in most of the colleges, cooperation is one of the subjects.

73/9/78

J A P A N

PRESENT SITUATION OF AGRICULTURAL
COOPERATIVES IN JAPAN

November, 1977

The Central Union of Agricultural Cooperatives
Tokyo

PRESENT SITUATION OF AGRICULTURAL COOPERATIVES

1. Organization and Membership

In pursuance of strengthening organization to cope with rapidly changing economic conditions, amalgamations of agricultural cooperatives have been further promoted and the number of primary multi-purpose agricultural cooperative societies has been reduced by about 60% in the past 16 years from 12,221 as of March 1960 to 4,803 as of March 1976. During the fiscal year 1976, 75 societies merged into 28 societies, and the total number of agricultural cooperative societies is 4,696 as of March 31st, 1977. And agricultural cooperatives are now classified by the size of membership as follows;

<u>Membership</u>	<u>Percentage of coops.</u>
less than 500	32.6 %
500 - 999	29.5 %
1,000 - 1,999	22.1 %
2,000 - 2,999	8.3 %
3,000 - 4,999	5.5 %
more than 5,000	2.0 %

With regard to the changes in membership of multi-purpose societies during 1975-76, it was noted that regular members (farmer members) were reduced by 25,864 to 5,767,929 members as of March, 1976, while associate members (non-farmer members) increased by 33,861 to 1,848,554. In comparison with the trend during 1974-75, it can be understood that regular members were reduced by the almost same number but the continuous increasing trend of associate members was getting dull.

Average membership per society increased due to promotion of cooperative amalgamation and more associate members from 1,524.4 in 1975 to 1,578.4 in March 1976, out of which the number of regular members is 1,210.8 (75.7%).

Amalgamations of primary agricultural cooperatives will be further promoted under the guidance of Prefectural Unions and the Central Union of Agricultural Cooperatives.

On the other hand, there is a fact that agricultural net income in 1976 showed only a small increase of 0.8 per cent in comparison with that in the previous year due to damages in agricultural production caused by

cold weather and typhoons. The number of full-time farm households continuously decreased down to 643 thousand, which is only 13.3 per cent of the total farm households, 4,835 thousand as of January 1st, 1977. Therefore, our agricultural cooperatives, which are organized by both full-time farmer members and more members of part-time farmers, are expected to make more efforts in organizing members closely with a view to reflecting diversified demands of members in their business management.

As a major change in the organizational system of our agricultural cooperative movement, it should be noted that most of primary agricultural cooperatives became direct members of national organizations in last year. This organizational change was carried on with the main object of reflecting opinions and ideas of primary societies toward business managements of the National Federation of Agricultural Cooperative Associations (ZEN-NOH) and the National Mutual Insurance Federation of Agricultural Cooperatives (ZENKYO-REN). As a result, 4,329 and 4,313 primary societies (including respectively 13 and 7 single-purpose agricultural cooperatives) newly affiliated themselves respectively with ZEN-NOH and ZENKYO-REN in 1976. It can be said that 92 per cent of total primary multi-purpose agricultural cooperatives have become direct members of national organizations in both cases. These two national federations will be studying the question of diplomatically improving their business systems, namely marketing/supply and mutual insurance business, at a study council to be set up at each federation which should consist of representatives of member organizations including primary societies.

2. Business Activities

Both agricultural income and non-agricultural income were depressed in 1975/76 because of the continuous slump of Japanese economy as well as decreases in farm production caused by natural calamities such as "cold summer". In last year, prices of rice and milk were held down by the Government to be only 6.4 per cent up and 7.4 per cent up as compared with the previous year respectively. And non-agricultural income generally showed a dull increase, while expenses for farm production increased by 13.3 per cent over the previous year. Agricultural and non-agricultural incomes per farm household showed a increase only of 0.8 per cent and 10.5 per cent respectively in comparison with the previous year, which resulted in a small increase in farm household income, only 8.0% up over the previous year. This slump in the farm household economy exerted a

serious influence on business activities of agricultural cooperatives. Among various business activities of primary societies, credit, marketing of farm products, and supply business of consumer goods showed the smallest increase in business turnover in past five years. Supply turnover of production materials also realized the smallest increase next to that in 1972. And the amount of long-term insurance policies in force showed a lower increase ratio than in 1975.

Furthermore, our agricultural cooperative movement is likely to face another difficult problem of over-production of rice. It can be said that we are entering into the same situation as that in 1970. This over-production of rice is being caused by stable production and stagnating consumption in recent years. Unless the production is controlled, the total stock of rice will be piled up to 4 - 4.5 million tons in next autumn. Then the government has started to mention that it will be necessary to reduce the rice production in 1978 by 1.7 million tons. This means that paddy fields of some 400 thousand hectares need to be ceased from rice production, which occupies as much as 13% of the total area of paddy fields in our country.

In the whole movement of agricultural cooperatives, it is now seriously being considered how to cope with this situation. However, it is estimated that our movement will finally follow the government's policy of reducing rice production with a view to supporting the Food Control System.

When this policy is taken into practice, the economy of farm households will be very adversely affected. And then, thus difficult situation will inevitably bring about a bad and serious influence upon not only marketing business, but also other activities of agricultural cooperatives such as supply, credit, and insurance, etc.

(1) Credit

In credit business it was noted during the fiscal year 1976 that a rate of increase in members' savings deposited at their agricultural cooperatives was 13.7%, 3.1% less than that of the previous year. This is the lowest rate of increase in past five years, main reasons for which can be found as follows;

- (i) There were some rural areas struck by natural disasters, which brought about a decline in agricultural incomes of members.
- (ii) Many part-time farmers could realize only a small increase in their non-agricultural income in the difficult conditions of general

economic depression.

- (iii) In urban areas, the demand for lands was considerably decreasing and some member farmers, who wanted to sell a part of his farm lands, could not increase their savings at their society.

The rate of increase in loaning was only 8.8 per cent, which is 1.4 per cent less than the previous year. This is mainly because of weakened demands for funds of agricultural cooperatives under the situation of the slackened money market and diminishing demands for living expenses, especially for building a house, in urban areas.

(2) Insurance

In insurance business, it was noted that the amount of long-term insurance contracts (life endowment insurance, house endowment insurance, etc.) at the end of March 1977 marked a higher and constant increase of 30.9 per cent over the previous year. Main factor contributed to this increase was the shift of members' interest in insurance with larger indemnity for inflation rather than increase in contract number. The increase ratio of the amount of long-term insurance policies was much bigger than those of other business turnovers in primary societies. But it was 5.1% lower than that in the previous year under the influence of slumped economy of farm households. The insurance business of agricultural cooperatives had favourably developed in past years without being affected by temporary business fluctuations. At last, however, it might be now approaching to a turning point.

(3) Marketing

The marketing turnover in 1976-77 increased by 7.5 per cent against the previous year which is 12.0 per cent less than that in 1975-76. This increase ratio of 7.5 per cent was the lowest in past five years. The main reasons are as follows;

(i) The total production of rice, which is the most important commodity having a share of 45.9 per cent in the marketing turnover of agricultural cooperatives, was reduced by 10.6 per cent against the previous year, while the rice price was raised only by 6.4 per cent in last year.

(ii) Both productions and prices of beef cattle and eggs showed a tendency to remain on the same level or to go down.

(4) Supply

Supply turnover in 1976-77 increased by 11.2 per cent over the

previous year. But, if 6.8 per cent price hike of supplied goods is taken into consideration, only a small increase will be found in the volume of goods and materials supplied to members. Especially supply turnover of consumer goods achieved the lowest rate of increase in past five years. It shows that member farmers have been reducing their expenses especially in daily consumption under difficult conditions of their farm management. On the other hand, the increase rate of supplies of farm inputs in 1976-77 raised to 10.3 per cent against 5.9 per cent up in the previous year. Carry-overed stocks of supply goods in 1976-77 increased only by 1.5 per cent.

3. Management

Reflected by the slump of farm household economy, agricultural cooperative societies failed to develop their business turnovers as expected and the gross business income of these societies in the fiscal year of 1976 was 15.3 per cent higher than the previous year, which was the lowest rate of increase in past five years as above-mentioned. Administration costs, however, increased only by 13.3 per cent in the same year which was attributed by 13.4 per cent up of personnel expenses accounting for 75.1 per cent of total administration costs. Therefore, the gross business income achieved a higher increase rate than those of all business turnovers of societies. Then, it can be said that agricultural cooperative societies in Japan produced a not too bad business result in 1976-77 in spite of the generally difficult situation of Japanese economy. This is mainly because of utmost efforts made by officials and employees of societies who restrained themselves from employing new workers and restricted the increase of personnel costs as much as possible, fully taking into consideration severe conditions surrounding the movement.

During the fiscal year 1976, 98.1 per cent of all societies made profit of 24,533,000 yen per society on an average, and 79 societies or 1.8 per cent of them recorded loss of 35,295,000 yen per society. Societies with profits increased by 0.5 per cent against the previous year, while societies with loss decreased by 0.5 per cent. It should be noted here, however, that the amount of loss per society (79 societies) on an average almost doubled that in the previous year, due to a special case which took place in a certain society recording a big loss of 1,246 million yen. If this big loss was excluded, an average loss per society would be 19.77 million, 10.6 per cent higher than the previous year.

The ratio of societies with larger current surplus than the previous year increased from 64.5 per cent in 1975 to 75.6 per cent in 1976, while that of societies with smaller surplus decreased from 32.6 per cent to 22.1 per cent.

4. Conclusion

It is a fact that the Japanese agricultural cooperative movement is now surrounded by very difficult conditions.

First, Japanese agriculture is going to be tried by the situation that domestic consumptions of many farm products, including rice, have been decreasing or stagnating in recent years. Especially paddy growers is definitely facing a problem of over-production. They might be obliged to decrease their rice production by 1.7 million tons in 400 thousand hectare of paddy fields in 1978 by the governmental policy of production control.

It is now very necessary to expand demands for farm products as well as to convert a considerable share of rice production to other crop production from a viewpoint of reorganization of agricultural production.

Next, we have to recognize the limitation of raw materials such as oil in the world. And such a system of agricultural technique as "raw-material-saving" and "energy-saving" should be established as soon as possible and a low-cost farm management must be also realized with a view to expanding consumptions of agricultural and livestock products.

Furthermore, member farmers need to be persuaded to understand the difficult conditions especially in non-agricultural sector, from where they cannot expect to get more cash income. They should be advised to economize their consumptions especially useless expenses in order to establish their own living manner making the most of advantages peculiar to farm households and villages.

On the other hand, it is most necessary and important for agricultural cooperatives to promote activities with a view to assisting member farmers in both aspects of their farm management and living. At the same time, cooperative societies have to improve their business activities and carry out a reform of their management control system, so as to cope with the coming situation that competitor industries, including big trading corporations, will stretch their business arm also into rural areas as a challenge against our agricultural cooperatives.

Under these sever conditions, there is nothing for our societies but

to strengthen the unity of members and promote business activities in an all-out efforts of their officials and employees on the basis of cooperative principles.

Our movement has been appraised especially on its highest ratio of organizing farmers and huge volume of business turnovers. It is a fact, however, that the initiative has been more actively taken by cooperative officials and employees in promoting business activities rather than by member farmers.

From this viewpoint, it was decided to launch a new movement of 3-year programme on "Kyodoh-Katsudo Kyoka" (for renovation and strengthening of cooperative activities through active participation of members) at the 14th National Agricultural Cooperative Congress held in October 1976 in Tokyo, in order to make our agricultural cooperative organization more effective in reflecting members' interests and needs. This programme is now being carried on in the whole agricultural cooperative movement from primary to national level. Targets of the Movement is outlined as follows;

- (1) Establishment of members' farming and agriculture in the region through promoting cooperative activities
 - (i) To establish members' farming and agriculture in the region for the purpose of realizing happy and prosperous villages.
 - (ii) To promote many-sided and independent activities of member producers' groups.
 - (iii) To make guidance on more proper investments and more effective utilization of farm machinery and facilities through strengthening cooperative activities.
 - (iv) To consolidate and strengthen the business system from production to marketing of farm products through strengthening cooperative activities.
- (2) Realization of happy and prosperous life of members both physically and spiritually.
 - (i) To realize planned life of member farmers and make most of advantages peculiar to farm households and villages.
 - (ii) To establish and strengthen member organizations for better living activities which are bases for cooperative activities.
 - (iii) To establish the system for supplying members with consumer goods, displaying characteristic features of agricultural cooperatives.
 - (iv) To actively carry on activities to protect members' health.

(3) Strengthening of business operations of agricultural cooperatives on the basis of cooperative activities of members.

- (i) To strengthen business operations of the agricultural cooperative, reflecting intentions of members.
- (ii) To promote cooperative education for member farmers, officials and employees of agricultural cooperatives.
- (iii) To improve and strengthen the system of cooperative management through encouraging cooperative activities.
- (iv) To carry on publicity activities with a view to developing an understanding of the people of agriculture and agricultural cooperatives.
- (v) To consolidate and rationalize organizational and business systems of federations and unions for the purpose of strengthening cooperative activities of members.

Appendix

PRESENT SITUATION OF AGRICULTURAL COOPERATIVES

IN FIGURES

Table I. Number of Agricultural Cooperatives (primary)

	1960/61	1965/66	1970/71	1974/75	1975/76	1976/77
Multi-purpose agri. coops.	12,050	7,320	6,049	4,942	4,803	4,763
Single-purpose coops.						
Gen. service	973	538	437	256	251	244
Sericultural	6,293	4,294	2,557	1,646	1,590	1,444
Livestock	3,052	807	644	584	577	570
Dairy	-	764	715	683	676	665
Poultry	-	294	288	272	272	269
Grass land	-	1,141	1,023	919	901	927
Horticulture	679	676	571	583	578	584
Rural Indust.	597	496	334	254	248	242
Settlers'	4,789	4,438	3,484	830	615	574
Farm Broad-casting	-	183	169	134	129	125
Others	463	346	319	386	390	280
Sub-total	34,204	26,436	10,541	6,547	6,227	5,924
Grand Total	46,254	33,756	16,590	11,489	11,030	10,687

Table II. Number of unions and federations

As of March, 1977

	Secondary federations	Prefectural unions	National federations
Unions		47	
Federations			
Credit	47		
Economic	61		3
Insurance	47		1
Welfare	31		1
Sericulture	182		4
Livestock	100		3
Dairy	66		1
Poultry	13		2
Horticulture	75		5
Rural Indust	39		-
Settlers'	9		1
Emigration	25		1
Agri. broad-casting	23		-
Others	61		2
Total	779		24

Table III. Figures of Multi-purpose Cooperatives

As of March, 1976

	Total	Per Society
Number of societies	4,763	
Membership		
Regular members	5,767,929	1,210.5
Associate members	1,848,554	387.9
Total	7,616,483	1,598.4
Elected Officials		
Directors	60,177	12.6
(Out of which full-time)	6,758	1.4
Auditors	18,905	4.0
Total	85,905	18.0
Employees		
Managers	3,304	0.7
Farm advisers	16,244	3.4
Better living advisers	2,052	0.4
Other employees	249,599	52.4
Total	271,199	56.9
Share capital (¥1,000)	389,113,000	81,661.
Volume of business (¥1,000)**		
Marketing	4,516,689,000	947,889
Supply	3,033,252,000	636,569
Balance of loan	7,487,826,000	1,571,422
Balance of saving	14,127,111,000	2,964,766
Long-term insurance	42,889,026,000	8,929,670
Unappropriated surplus	42,889,026	18,799
Number of Coop Stores	9,936	3.1

* As of March, 1976-7

Table IV. Progress of Amalgamation of Multi-purpose Societies

	No. of cases of amalgamation	No. of societies participated in amalgamation	No. of Multi-purpose societies	Note
1960/61			12,050	Amalgamation Aid Law was enacted on 1st Apr., 1961 validity of the Law was 5 years
1961/62	137	541	11,586	
1962/63	210	912	10,813	
1963/64	216	967	10,083	
1964/65	237	1,066	9,135	
1965/66	578	2,599	7,320	
1966/67	35	135	7,209	9 May 1966 First revision Extended 3 years
1967/68	58	169	7,074	
1968/69	218	829	6,470	
1969/70	99	378	6,185	
1970/71	42	162	6,049	23 May 1970 2nd revision Extended 2 years
1971/72	102	439	5,688	
1972/73	101	393	5,488	22 Mar. 1972 3rd revision Extended 3 years
1973/74	67	286	5,198	
1974/75	119	234	4,942	
1975/76	60	219	4,803	
1976/77	28	75	4,696	
Total	2,307	9,604	-	
Estimates 1977	253	896		1st Apr. 1975 4th revision Extended till 31-3-1978

Table V: Number of Multi-purpose Societies by Sizes of Membership

-CUAC Survey-

	April, 1977	
	Number	%
Less than 500 member households	1,530	32.6
500 - 999	1,385	29.5
1,000 - 1,999	1,036	22.1
2,000 - 2,999	392	8.3
3,000 - 4,999	260	5.5
More than 5,000 member households	93	2.0
Total	4,696	100.0

Table VI. Marketing Turnover of Multi-purpose Societies for 1975/76

No. of coops. surveyed: 4,765

(Unit: ¥1,000)

Commodities	Total	Per Society
Rice purchased by the government	1,543,100,862	323,840.7
Rice sold to wholesalers	612,511,576	128,543.9
Rice disposed in other way	27,909,225	5,549.7
Total of wheat, barleys	32,565,812	6,754.8
Miscellaneous cereals and legumes	46,857,322	9,833.6
White & sweet potatoes (Including processed goods)	43,158,160	7,057.3
Silk cocoon	87,418,427	18,345.9
Vegetables	476,256,805	99,949.0
Fruits	427,902,469	89,801.1
Tea	41,366,167	8,681.3
Other industrial crops	77,057,912	16,171.6
Flowering plants	28,871,419	6,059.1
Other agricultural products	93,841,949	19,694.0
Fresh milk	198,002,787	41,553.6
Processing milk (Incl. processed milk products)	10,805,104	2,162.7
Eggs	97,419,518	20,444.8
Chicks and breeding cocks	3,355,860	704.3
Broiler and aged chicken	481,913,034	10,265.1
Dairy cattle	18,911,950	3,768.9
Beef cattle	215,719,986	45,271.8
Hogs	237,290,987	49,798.7
Livestock (Breeding cattle, pigs, calves and piglets)	125,276,142	26,290.9
Other livestock products	22,675,586	4,758.8
Total	4,516,689,059	947,886.6

Table VII. Supply Turnover of Multi-purpose Societies for 1975/76

No. of coops. surveyed: 4,765

(Unit: ¥1,000)

Commodities	Total.	Per Society
Production materials		
Feed	530,610,663	111,355.9
Fertilizer	303,862,536	63,769.7
Agr. chemicals	163,496,166	34,311.9
Keeping-warm materials	43,776,987	9,187.2
Packing materials	59,196,216	12,423.1
Agr. machinery	328,650,841	68,971.8
Oils	233,562,109	49,016.2
Automobile excluding bicycle	86,614,325	18,177.2
Building materials	28,175,551	5,913.0
Others	159,033,549	33,375.4
Total	1,936,978,943	406,501.4
Livelihood necessities		
Rice	72,173,717	15,146.2
Other foods	347,448,165	72,916.7
Clothings	40,554,549	8,510.9
Durable consumers goods	58,765,260	12,332.7
Miscellaneous daily commodities	95,400,873	20,021.2
L.P. Gas	43,501,576	9,129.4
Others	88,700,795	18,615.1
Total	746,544,935	156,672.6
Grand Total	2,683,523,878	563,174.0

Table VIII. Rate of Increase against the previous year in Volume of Business

(Unit: %)

	1972/73	1973/74	1974/75	1975/76	1976/77
Saving	128.4	122.3	115.0	116.8	113.7
Loan	115.4	142.7	117.8	110.2	108.8
Insurance	129.7	129.2	132.4	136.0	130.9
Marketing	116.1	127.0	123.7	119.8	107.5
Supply	110.3	133.7	134.0	109.6	111.2

REPUBLIC OF K O R E A

BACKGROUND PAPER

ON

COOPERATIVE MOVEMENTS IN KOREA

-1978-

NATIONAL AGRICULTURAL COOPERATIVE FEDERATION
REPUBLIC OF KOREA

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I. KOREAN ECONOMY AND AGRICULTURE

1. National Economy in 1977

The Korean economy achieved rapid growth and development through the consecutive five-year economic development plans since the early 1960s. During the year 1977, when the Fourth Five-Year Economic Development Plan aimed at balanced development of agriculture and industry was initiated, the Korean economy continued development in harmony with stabilization through overcoming numerous economic difficulties generated by the sagging international economy.

According to the preliminary estimates, the gross national product showed an increase of 10.3 per cent in real terms during the year. At current market prices, GNP was estimated at 15,240 billion won, a 25.5 per cent increase over the preceding year. Thereby, per capita GNP in 1977 was 418 thousand won (864 US Dollars), increasing by 79 thousand won over 339 thousand won (700 US Dollars) in 1976.

By industrial origin, agriculture and forestry sector grew 4.0 per cent compared with 7.6 per cent in 1976, due to cutback in production of barley and vegetables. And fishery industry showed an increase of only 3.1 per cent because of recession in deep-sea fishing. Mining and manufacturing expanded 11.2 per cent during the year, while social overhead capital and service sector showed a real growth rate of 13.0 per cent, compared with 11.3 per cent in 1976.

On the other hand, consumption expenditure substantially increased 6.6 per cent and the gross investment ratio showed an increase of 36.3 per cent. National savings ratio rose 24.8 per cent, compared with 22.3 per cent a year earlier. Due to the policy for price stabilisation, wholesale prices increased by 9.0 per cent, lower than 10 per cent of target level in 1977, and consumer prices by 10.1 per cent.

Commodity exports during 1977 totaled 10 billion US Dollars, showing an increase of 29.1 per cent over the previous year, while commodity imports increased 25.2 per cent. Mainly due to the increase in commodity exports and overseas construction service receipts, the

current account balance in 1977 recorded a surplus of 32 billion US Dollars, a great improvement over the deficit of 314 million US Dollars in 1976. As a result, foreign exchange holdings amounted to 4.3 billion US Dollars at the end of 1977.

Agricultural policy in 1977 placed emphasis on attainment of its basic goals which were boost of food grain output, increase in farm income, and improvement of agricultural marketing system. To attain the goals, the government implemented the following measures :

(1) continuously increasing agricultural production, (2) stabilising supply and demand for food grains, (3) renovating agricultural marketing system, (4) increasing Saemaul income and savings in rural areas, and (5) improving managerial base of agricultural cooperatives and agricultural financing system.

Traditionally, rice and barley are main crops in Korea. Rice output achieved a record high of 6 million metric tons in 1977, showing an increase of 20 per cent over a year earlier. Total production of food grains reached 8 million metric tons, due to consecutive bumper crops of rice despite slight cutback in barley production caused by freezing injury in the growing season. Thereby, Korea has continued to maintain perfect self-sufficiency in major food crops.

Total exports of agricultural and marine products amounted to 978.6 million US Dollars, and this performance resulted from intensive policies for development of exportable agricultural commodities and modernization of facilities for producing and processing them.

Gross National Products

Year	Gross National Products		U.S.\$ (current prices) (mil.\$)	Per capital GNP (Dollars)	Agriculture (bil.won)	Forestry (bil.won)	Fishery (bil.won)
	At current prices (bil.won)	At 1970 constant market prices (bil.won)					
1961	297	1,185	2,124	83	483	19	19
1965	805	1,530	3,005	106	543	31	28
1970	2,589	7,558	7,558	234	634	44	46
1975	9,080	4,129	18,761	481	724	45	125
1976	12,143	4,768	25,090	700	779	45	150
1977	15,240	5,260	31,488	864	•••	••	••

2. Agriculture

A. General Situation of Agriculture

(1) Arable Land Area

Since Korea is a hilly and mountainous country, the cultivated land is located mostly in mountain valleys, riversides, and lower mountain slopes. Total arable land area is currently about 2,238 thousand hectares which accounts for 22.7 per cent of the national land area. A small but gradual increase were recorded in arable land area through land development and reclamation projects. Total arable land consists of 12,900 thousand hectares of paddy land and 948 thousand hectares of upland, 57.6 per cent and 42.4 per cent of the total, respectively.

(2) Farm Population and Farm Size

At the end of 1976, number of farm household stood at 2,336 thousand with 5.47 family members per household. And total farm population amounted to 12,785 which accounted for 35.7 per cent of the total population of the nation.

Because of the heavy population pressure upon the arable land, the highly fragmented and small sized farm fields are typically characteristic of the farming condition in Korea.

Utilisation Status of National Land Area

Year	Total Land Area (thou.ha)	Total cultivated land (thou.ha)	%	Paddy Field (thou.ha)	%	Upland (thou.ha)	%
1961	9,843	2,033	20.6	1,211	12.3	822	8.3
1965	9,843	2,256	22.9	1,286	13.1	970	9.8
1970	9,843	2,298	23.5	1,273	12.9	1,025	10.4
1974	9,876	2,238	22.7	1,269	12.9	969	9.8
1975	9,876	2,240	22.7	1,276	12.9	963	9.8
1976	9,880	2,238	22.7	1,290	13.1	948	9.6

Year	Forest (thou.ha)	%	Other (thou.ha)	%	Utilisation land (thou.ha)	Utilisation Ratio %
1961	6,753	68.6	1,058	10.8	2,802	138.4
1965	6,014	67.2	973	9.9	3,319	147.1
1970	6,611	67.1	939	9.6	3,264	142.1
1974	6,641	67.2	996	10.1	3,123	139.5
1975	6,635	67.1	1,006	10.2	3,166	141.4
1976	6,613	66.9	1,028	10.4	3,093	138.2

Farm Population

Year	National Popula- tion (A)	Farm House- holds (thou.)	Farm Population		Land area per farm household		
			Popula- tion(B)	Ratio (B/A)	Total	Paddy Field	Upland
1961	25,498	2,327	14,509	56.9	0.86	0.51	0.35
1965	28,327	2,507	15,812	55.8	0.90	0.51	0.39
1970	31,435	2,483	14,422	45.9	0.93	0.52	0.41
1975	34,681	2,379	13,244	37.5	0.94	0.54	0.40
1976	35,860	2,336	12,785	35.6	0.96	0.55	0.41
1977	....	2,304	12,309	...	...	...	...

The average size of arable land per farm is 0.96 hectare, which consists of 0.55 hectare of paddy field and 0.41 hectare of upland. By size of farm holdings, about 64 per cent of the farms have been less than one hectare and a mere 6 per cent of the farms have land over two hectares.

In recent years, there has been a decreasing trend in both absolute size and relative share of farm population. Thus, the average size of a farm holding tended to increase somewhat in recent years.

(3) Agricultural Production

In spite of a small arable land area, multiple cropping and improved yields have contributed to a substantial growth of agricultural production. Traditionally, rice and barley are major crops in Korea, particularly, rice farming occupies a predominantly important position in Korean agriculture. In 1976, rice production showed a record crop and accounted for 64 per cent of total agricultural output. Barley and wheat production has decreased slightly in recent years due to a decrease in planted area resulting from shifts of farmers' preference to the high income cash crops. However, barley production have been encouraged by various policy measures because they can be planted as a second crop for double cropping.

Fruit and horticultural production lagged far behind that of other agricultural products before the 1960s. However, they have shown rapid expansion since the late 1960s thanks to income growth. Cultivated area and production doubled during the last 10 years.

Increased incomes due to rapid economic growth in recent years, however, has brought a sharp expansion of demand for livestock products. Accordingly, the pattern of livestock farming has gradually changed with more specialised and advanced technology and larger scale production units.

Agricultural Production

	Unit	1961	1965	1970	1975	1976	1977
Food grain crops							
Rice	Thou.M/T	3,463	3,501	3,939	4,669	5,215	6,006
Barley	"	1,389	1,657	1,820	1,806	1,847	862
Miscellaneous	"	96	120	124	94	119	152
Pulses	"	190	203	277	363	354	583
Potatoes (mainly sweet potatoes)	"	383	1,045	783	740	671	602
Fruits	"	150	310	423	644	615	.....
Vegetables	"	1,235	1,576	2,514	2,911	3,217	.....
Cash crops	"	47	41	73	81	77	.....

(4) Farm Income

Owing to government policies and programs to develop the agricultural sector of the economy, farm income expanded at an annual average rate of 21.2 per cent during the 1960s. Average income per farm household reached 1,433 thousand won in 1977.

Some of the important contributing factors to the improvement of farm income were (1) increased productivity through mechanised farming and improved technology, (2) improvement of marketing system for farm products, and (3) expanded output of rice and cash crops. Farm household income in 1977 consisted of about 72 per cent of agricultural income and about 28 per cent of non agricultural income.

Farm Household Income

(Average per household)

(in thousand won)

	1966	1970	1975	1976	1977
Farm Household Income (A)	130	256	873	1,156	1,433
Agricultural income	101 (77.7)	194 (75.8)	715 (81.9)	921 (79.7)	1,036 (72.3)
Non-farm income	29 (22.3)	62 (24.2)	158 (18.1)	235 (20.3)	397 (27.7)
Urban Wage Earner Income	161	381	859	1,152	1,405
A/B (%)	80.6	67.1	101.6	100.3	102.0

* 1977 : Preliminary

B. Agricultural Development Policies

(1) Agricultural Policies and Rural Situation before the 1960s.

The main achievement of agricultural policies before the 1960s was the land reform starting in 1950. Through land reform, the majority of farmers who were previously tenants could become independent farmers and were encouraged to increased production. In addition, land reform contributed to social stability by giving hope to farmers who constituted the majority of the population.

However, it was inevitable for farmers to have low productivity and poor incomes because of small size of farms, labour intensive farming techniques, inadequate supply of agricultural inputs, and lack of credit.

Consequently, farmers could not avoid relying heavily on credit at high interest rates from the private loan market and continuation of the vicious cycle of poverty.

(2) Agricultural Development Policies

(a) Rural Reconstruction Campaign (1961)

Starting in the early nineteen sixties, the government has launched economic development programmes placing the main emphasis on social stabilisation and national development. Along with the development policies, the government launched a rural reconstruction campaign in 1961 and executed the Farmers' and Fishermen's Usurious Debt Resettlement Law in order to relieve the high debt load on farmers.

The Office of Rural Development was reorganised for efficient rural guidance and experimentation, and the agricultural bank and cooperatives were amalgamated for timely supply of agricultural inputs and credit.

Throughout these series of actions, farmers' positive attitudes toward the government development policies were strongly encouraged.

(b) The First Five Year Economic Development Plan (1962-1966)

During the first plan period, the main emphasis in the agricultural sector was on increasing agricultural productivity. To do this, construction of fertiliser plants, upland reclamation development, and construction of reservoirs, diversion weirs and other irrigation facilities had been implemented.

The land area newly developed by the upland development project amounted to 110 thousand ha in 1966, equivalent to 11% of total cultivated land in the country. However, the income gap between rural and urban sectors did not narrow mainly because of the relatively higher growth of the industrial sector's industrialisation oriented economic development strategy.

(c) The Second Five-Year Economic Development Plan (1967-1971)

Programmes and policies in the Second Five Year Plan period aimed at achieving balanced growth between the agricultural and industrial sectors. Provision of the concentrated credit and technical assistance to farmers in the field of high profitability crops and livestock products such as fruits, vegetables, silk cocoons, pork and beef were the main policy measures directing commercialised farming for farmers' income increases.

In addition, the high price policy for food grains was begun ; i.e. relatively larger increases in government purchasing prices than in consumer prices. This price policy contributed substantially to raising farmers' production incentives and farm income.

The underground water development project was one of the important agricultural efforts in the plan period. This project was initiated during the severe drought in 1967 and 1968 with large government investments to solve water problems.

(d) The Third Five Year Economic Development Plan (1972-1976)

Since one of the major objectives of the Third Five Year Plan as a whole was extensive development of the rural sector, government investment in the rural sector constituted a substantial part of total investment. Integrated large scale agricultural development projects for four big river basins including the Han river, Kum river, Youngsan river and Nakdong river, started in the early 1970s, provided very important momentum for agricultural modernization and a good production base. Initiation and acceleration of Saemaul Undong, development of a new high yielding rice variety and introduction of mechanisation took place during the plan period.

(C) Major Achievement during the Plan Period.

The major achievements during the plan period were firstly, self-sufficiency in key staple food grains through the green revolution. Secondly, equity between rural and urban worker's household income since 1974 through continuous efforts for production increase by farmers and effective government development programmes; and thirdly, establishment of new morale and high spirit of farmers towards a better future.

As a result, farmers could enjoy their improved living conditions and promised better life.

Main contributing factors for the achievements can be illustrated as follows.

(a) Development of High Yielding Rice Variety "Tongil".

The rice research team in the Crop Experimentation Station of the Office of Rural Development has developed a new high yielding variety "Tongil series" since 1972 after overcoming many challenges. Tongil variety whose yield was about 30 per cent higher than traditional varieties created the basis for the green revolution in Korea. This was also attributable to the massive multiplication of new seeds in cooperation with IEEI and the wide and rapid dissemination through dynamic and efficient rural extension services.

(b) Agricultural Technology Innovation through the Extension Work

The rural extension programmes successfully assisted the elevation of the green revolution through the effective introduction of new farming techniques. About 8,000 rural extension workers, stationed in every township and village, equipped farmers with productive farming methods such as the preparation of vinyl covered nursery seed beds, methods of prevention and control of diseases, timely farming techniques, etc.

(c) Improvement of Production Base

Projects for improving the agricultural production base which covered water development, land consolidation and rearrangement have gradually been expanded with increased government investment.

(d) Efficient Supply of Farm Inputs and Credit

Increased efficiency in provision of farm inputs and credit, through agricultural cooperatives have made it possible for farmers to expand their production capacity. Also, the development of marketing services conducted by the agricultural cooperatives, and high price policies and an award system to the high yield model farmers have provided farmers with strong incentives for production increases.

(D) Agricultural Policy Measures and Development Plan

(1) Problems in Agriculture

a. Change in Farm Employment Structure

As a result of continuous out-migration of rural youth to the growing industrial sector, the farm labour force is becoming older with relatively more females in the decreasing rural population. Also the peak farming season, particularly May and June for barley harvesting and rice planting, reveals a serious labour bottleneck.

b. Increase in Total Food Demand with a Changing Food Consumption Pattern.

Even though self-sufficiency in key staple food grains, rice and barley, has been achieved since 1975, the total food grain self-sufficiency level is still 75 per cent as of 1976 due to the increase in food grain demand. The changing food consumption structure toward a high protein in take pattern will push these trends upward. It seems, therefore, to be quite difficult in the future to raise or to sustain the present food self-sufficiency level because of the continual increase in total population and per capita income.

c. Farm Income Growth

The production increase in food grains under favourable food grain price policies provided a major source of farm income growth. Since the production increase slack in key staple food grains has been fully exploited the emphasis on farm income growth strategy should be changed to the promotion of improving farm management practices and developing off-farm income sources.

d. Agricultural Marketing Development

The rapid expansion in marketing volume of agricultural commodities and the increase in consumer demand for quality products requires a more fully developed agricultural marketing system.

e. Promotion of Rural Welfare

To assure a high quality of rural life, further socio-cultural development of rural life is required.

(2) Major Policy Measures

- a. To expand the production capacity of agriculture and farm land, reclamation projects for tidal land and slope land development will be emphasised together with strengthening the limit of non-farm use of farm land. In addition to this, intensive utilisation of farm land will be encouraged.
- b. To improve land productivity and farming conditions, land and water resources development projects will be expanded. Especially, integrated large scale agricultural development projects will be continually conducted.
- c. Farm mechanisation, focussed on labour substitution, will be accelerated.
- d. To better improve commercial farming and enhance production specialisation, farm management practices will be emphasised.
- e. Efforts to sustain self-sufficiency in staple food grains will be continuously pursued. For sufficient supply of protein, horticultural and fishery products will be encouraged with intensified applied research and extension services in these areas.
- f. Effective buffer stock programmes and pricing measures will be employed.
- g. For improvements in agricultural marketing and in quality of agricultural commodities, guaranteed fair transactions through improved institutional arrangements (including transportation and storage) will be emphasised.
- h. For improving welfare of rural society and promoting stability in farming, farm insurance systems and rural welfare policies will be developed.

(3) The Fourth Five-Year Economic Development Plans

The scale investment for agricultural sectors and major economic indicators of the Fourth Five-Year Economic Development Plan are as follows :

a. Scale of Investment

(in billion won)

Classification	3rd Plan (72-76)	4th Plan (77-81)	Increase Ratio (%)
Total	1,027	1,500	46
Food Grain Production	52	80	54
Livestock, Sericulture and special Crop Production	194	169	-13
Production Base and Mechanisation	444	879	98
Agricultural Marketing	42	166	295
Research and Extension	38	63	66
Others	257	143	-44

b. Major Economic Indicators

	Unit	1975	1981
Population (total)	thou.persons	34,681	38,807
Farm Population	"	13,244	12,280
Ratio	percent	38.2	31.6
GNP (Total)	bil.won (1975 const. price)	9,080	16,214
Farm Household income	thou.won	873	1,400
Agricultural income	(75 const.price)	715	1,003
Off farm income		158	397
Agricultural Production			
Rice	thou.M/T	4,669	5,472
Barley	thou.M/T	1,806	1,875
Livestock Production			
Meat	thou.M/T	235.3	368.4
Egg	mil.each	2,896	4,377
Milk	thou.M/T	160.3	499.4
Farm inputs			
Fertiliser	kg.per ha	396	464
Chemicals	kg.per ha	9	13
Machinery- power tiller	thou.each	86	345
power sprayer	thou.each	138	288
Agricultural Base			
Irrigated Area	thou.ha	1,072	1,248
Consolidated Area	thou.ha	251	419

II. COOPERATIVE MOVEMENT

1. History of Cooperative Movement

A. Cooperative Movement in Early Days.

In Korea, there had been spontaneous cooperative activities of various types in the rural countryside. Among the diversified types, Kye, which was voluntarily organised for mutual help and friendship, was most important type. Kye is so deeply rooted in the social and economic life of the people that it is still prevalent in both rural and urban areas. The history of Kye may be traced back to Koryo dynasty (918-1135 A.D) or even to Silla days (536-822 A.D). As the oldest type of cooperative organisation, Kye had following major purposes for the social and economic betterment of its members.

1. Assuring public benefit for handling village affairs and financing children's education.
2. Strengthening mutual help for family ceremonies, religious rites, and farming work.
3. Boosting friendship and meaningful social life among the members.
4. Providing mutual financing through saving or lending.

Besides these voluntary and independent private cooperative groups, there were various types of institutional cooperative organisations initiated by the royal governments. These were organised on the village basis, and operated grain bufferstock policy for the needy or financed plan market operations of grains to reduce seasonal price fluctuations.

B. Cooperative Movement by Government.

The traditional cooperative movement in the rural areas gradually faded away toward the end of the Yi dynasty.

In 1907, financial associations were organised and operated by the government in the rural areas as a cooperative types. The major activities of the financial associations were as follows :-

- 1) Providing government loans for farmers without deposit service.
- 2) Warehousing and lending grains produced by its member farmers.

- 3) Distributing seeds, fertiliser and farm machinery, and
- 4) Assembling and marketing farm products entrusted by farmers.

However, the business activities of the associations gradually became credit oriented business.

Farmers associations and industrial associations were inaugurated in 1920 and 1926, respectively. They conducted purchasing, utilisation, and marketing businesses. The farmers associations were linked with the financial associations in the activities.

On the other hand, the industrial associations suffered from inadequate finance because of a poor working relationship with the financial association. By this reason, the industrial associations were dissolved in 1945.

C. Civil Cooperative Movement.

a. Cooperative Movement by Korean Student in Japan

Korean student in Japan promoted consumer cooperative movement from 1926 with a view to developing national economy and forming base of national movement. They established a head office of cooperative in Tokyo and Seoul, and made propaganda for the organisation of cooperative and cooperation among the youth in the country.

Due to the difficulties both in funds and managerial base, the cooperative movement was discontinued.

b. Cooperative Movement by Believers in Cheondoism

Since 1925, believers in Choondoism had organised Korean Farmers Corporation as a cooperative movement. The objectives of their movement consisted in the improvement of living standard and the propaganda of their doctrine.

They established farmers cooperatives, consumer cooperative and credit cooperative in the rural area. These cooperative movements had much contributed toward improving marketing system in rural area through the marketing and purchasing businesses.

Before liberation of Korea, these cooperative movements were dissolved owing to inefficient managerial techniques and restriction of the government.

c. Cooperative Movement by Young Christians

The cooperative movement by young christians started around 1926 by the establishment of eight rural cooperatives in the suburban area of Seoul. The cooperatives organised as an activities of YMCA.

Under the patronage of local members of YMCA, the cooperative movement expanded over the national and the number of cooperatives stood at 720 in the 1930s. In compliance with the government programme for rural development, this cooperative movement was enforced to discontinue.

D. Modern Cooperative Movement.

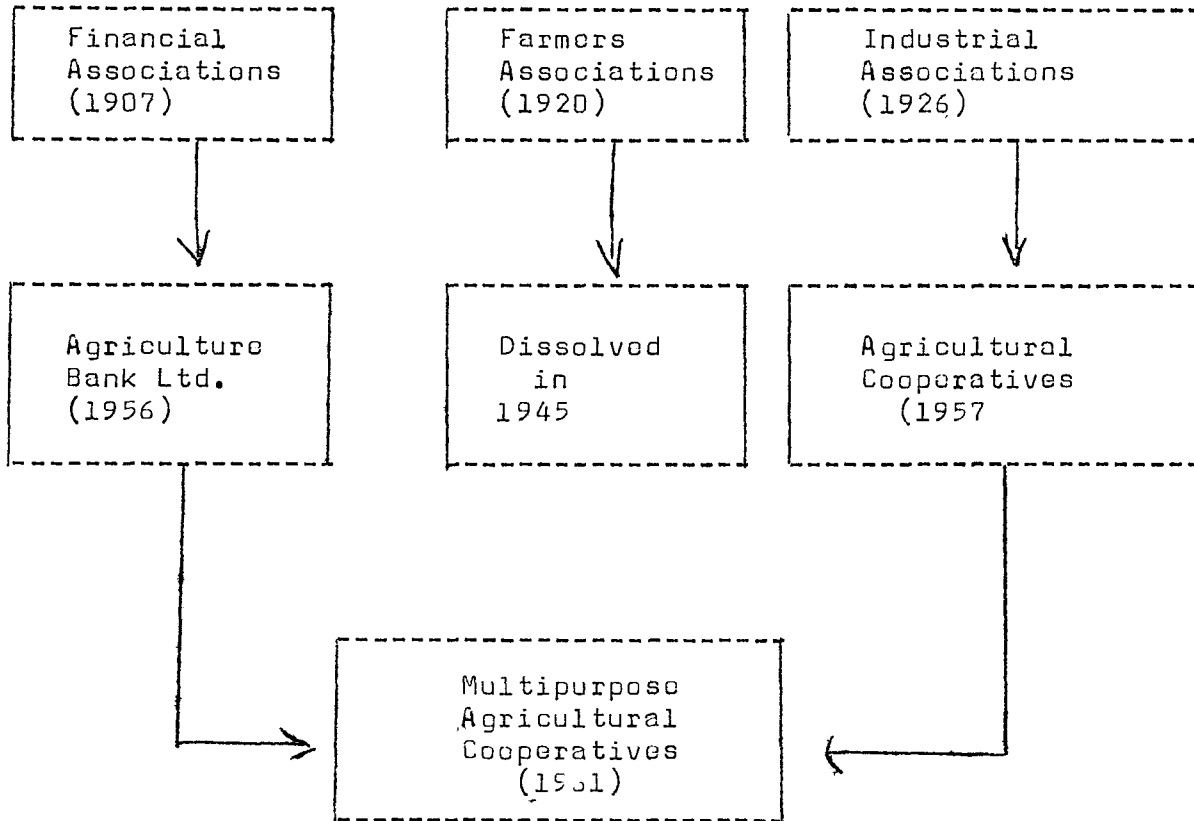
In 1956, the financial associations were reorganised into the commercial Agriculture Bank due to their functional characteristic. The Agriculture Bank which established originally as a commercial bank changed to a government invested special bank exclusively dealing with agricultural credit. In the following year, agricultural cooperative began to be formally organised to handle business other than credit through reorganisation of farmers association.

Between the Agricultural Bank and the agricultural cooperative, there were no sufficient linkage and efficiency in operation due to the duplication and competition in business activities. Furthermore, financial difficulties placed heavy restraints upon the business programmes of agricultural cooperatives because of the poor finance of the Agriculture Bank.

This situation between the Bank and cooperative had accelerated an active agricultural cooperative movement to give benefit to farmers and agricultural development. In compliance with the new Agricultural Cooperative Law, the Agriculture Bank and the agricultural cooperatives were merged into the present multipurpose agricultural cooperatives in 1961 on the basis of modern cooperative principles.

While modernised fisheries cooperatives and small business cooperatives were organised in 1962 in compliance with the Fisheries Cooperative Law and the Small Business Cooperative Law.

History of Agricultural Cooperatives



2. Legislation Concerned to Cooperative Organisations.

The constitution of the Republic of Korea encourages farmers, fishermen and small businessmen to organise their self-help organisations such as cooperatives as follows : (paragraph 2 of article 120 of the constitution) "Organisations founded on the spirit of self-help among farmers, fishermen, and businessmen engaged in small and medium industry shall be encouraged". And each cooperatives were initially organised by their legislation, and has developed by the related law up to the present. The law and presidential decree concerning the organisation of the cooperative are illustrated as follows :

A. Agricultural Cooperative

- o Agricultural Cooperative Law promulgaged on July 29, 1961 (Law No.670)
- o Presidential Decree enacted on July 9, 1970 (Decree No.5184)
- o Article 27 of the Agriculture Basic Law promulgaged on January 16, 1967 (Law No.1871).
(Article 27 : Improvement of Agricultural Organisation)
"The government and local uatonomous government shall promote the democratic organisation and independent development of such agricultural organisation as agricultural cooperatives for the purpose of development of agriculture and enhancement of economic and social status of farmers".

B. Fisheries Cooperatives

- o Fisheries Cooperative Law promulgaged on January 20, 1962 (Law No.1013)
- o Presidential Decree enacted on July 21, 1970 (Decree No.5216)
- o Article 8 of the Fishery Promotion Law promulgaged on August 3, 1966 (Law No.1814).
(Article 8, Fostering of Fisheries Organisation)
The government shall foster fisheries organisation through forming fisheries cooperative in order to enhance economic and social status of fishermen.

C. Small Business Cooperatives

- o Small Business Cooperative Law promulgated on December 27, 1961 (Law No.884)
- o Presidential Decree enacted on September 20, 1969 (Decree No.4071)
- o Article 27 of the Small Business Basic Act promulgated on December 6, 1966 (Article 27 : Organisation of Small Business)
The government shall encourage small businessmen to organise their cooperatives by which they are able to develop and grow their business and improve their economic status, and shall assure rationalisation of the management of their cooperatives.

3. Role of Government in Cooperative Movement.

A. Role of Government for Agricultural Cooperatives and Fisheries Cooperatives.

The Agricultural Cooperative Law and the Fisheries Cooperative Law provide for assistance of the government to specified areas. The following measures are practical implementation of these legal provisions.

- 1) Agricultural cooperatives and fisheries cooperatives have tax privileges. They are exempt from business and property tax charged by central and local governments. Besides, they have various legal privileges, including exemption from the government permission or licence related to their businesses.
- 2) All of the Ministers of government actively support the business of agricultural cooperatives and fisheries cooperatives and provide public facilities of national government and local government for their use.
- 3) The government may grant subsidies necessary for the business operation of agricultural cooperatives and fisheries cooperatives within the scope of its annual budget.
- 4) The government allow the presidents of NACF and NFFC to present to the government their recommendations regarding the development of cooperatives and NACF.

- 5) Agricultural cooperatives are authorised to be an exclusive handler of institutional agricultural credit. According to the Agricultural Cooperative Law, only agricultural cooperatives can borrow agricultural fund from the Government and the Bank of Korea. Thus, as far as agricultural funds is concerned, no bank institutions other than agricultural cooperative can borrow from the Government and the bank of Korea. In addition, the Government guarantee the payment of both principle and interest on agricultural credit debentures which will be issued by the National Agricultural Cooperative Federation.
- 6) The government has arranged for subsidisation of the difference between the higher interest rate of deposits and lower interest rate of agricultural loan. Out of the deposit sources at higher commercial interest rate, agricultural cooperative extend medium term loans for agricultural purpose at lower interest rate, and the difference between the two interest rates is subsidised by the government budget.
- 7) For similar purpose, the government applies a lower legal reserve ratio for deposits received by agricultural cooperatives, so that a larger part of the deposits can be channeled to rural areas.
- 8) The agricultural cooperatives are authorised to be an exclusive agent for some of government programmes. For fertiliser supply to farmers, agricultural cooperative has made an exclusive handling contract with the government. All of the manufactured fertiliser is supplied to farmers through agricultural cooperative channel. Besides, the government acquisition programmes for such products as rice, barley, silk cocoon, straw products, rape seed, malting barley and corn are operated by agricultural cooperatives.

B. Role of the Government for Small Business Cooperatives.

The major roles of the government for small business cooperatives are illustrated as follows :

- 1) In order to facilitate the financing of small businessmen, the government takes such necessary measures as mobilisation of fund to be financed, establishing of a revolving fund, availability of funds from exclusive financial institutions and borrowing foreign capital.

- 2) The government takes such proper measures as the conclusion of collective contracts and improvement of the bid system for the promotion of purchasing goods manufactured by small business.
- 3) The government strengthens international competitive power and takes simultaneously available measures in order to promote exportation of small business.
- 4) The government promotes the systematization of small business through proper measures such as assistance of fund.
- 5) For the stability and progress of small business management, the government takes proper measures so that small businessmen can coordinate autonomously their business activities and prevent excessive competition among them.
- 6) The government authorizes exclusive financial institution to assist the funding of small businesses.
- 7) The government takes proper measures to establish the means for the improvement of small business structures such as forming small business complexes and providing cooperation among them.

C. Government Agency Concerned.

1) Agricultural Cooperatives

Competent Minister : Minister of Agriculture and Fisheries
 (Concerning Banking and Credit Business, : Minister of Finance)
 Agency : Cooperative Division of Agricultural Development,
 Bureau, Ministry of Agriculture and Fisheries.

2) Fisheries Cooperatives

Competent Minister : Minister of Agriculture and Fishery
 (Concerning Banking and Credit Business : Minister of Finance)
 Agency : Office of Fisheries, Cooperative Division of Ministry of
 Agriculture and Fisheries.

3) Small Business Cooperative

Competent Minister : Minister of Commerce and Industry
 Agency : Small Business Bureau, Ministry of Commerce and Industry.

III. AGRICULTURAL COOPERATIVES IN KOREA

1. Organisational Structure.

The agricultural cooperatives in Korea are vertically organised at three levels : primary cooperatives at the township level, county cooperatives at the county and city levels, and the federal organisation at the national level. On the other hand, they are horizontally classified into two categories : multipurpose cooperatives and special cooperatives.

The multipurpose primary cooperatives are organised by individual farmers who are primarily engaged in production of major grain crops such as rice and barley. These cooperatives are the grassroot organisations conducting various businesses such as credit and banking, marketing, purchasing, utilisation, cooperative insurance and guidance for their member farmers.

As the result of a successful amalgamation programme implemented from 1969, a number of small cooperatives at village level have been merged into large scale primary cooperatives at the township level. Thus, the number of primary cooperatives was reduced to 1,519 by the end of 1977 from more than 20,000 cooperatives in the early 1960s.

While special purpose cooperatives are organised among agriculturists engaged in such specialised farming as horticulture and livestock raising. They carry out economic businesses including marketing, purchasing and processing other than credit and banking services. A total of 141 special cooperatives consisted of 43 horticultural cooperatives and 98 livestock cooperatives as of the end of 1977.

At present about 82.4 per cent of the farm households are affiliated with the primary cooperatives with an average membership of 1,282 farmers per cooperative. As of the end of 1977, total member farmers of the primary cooperatives stood at 1,947,923 and those of special cooperative at 56,721.

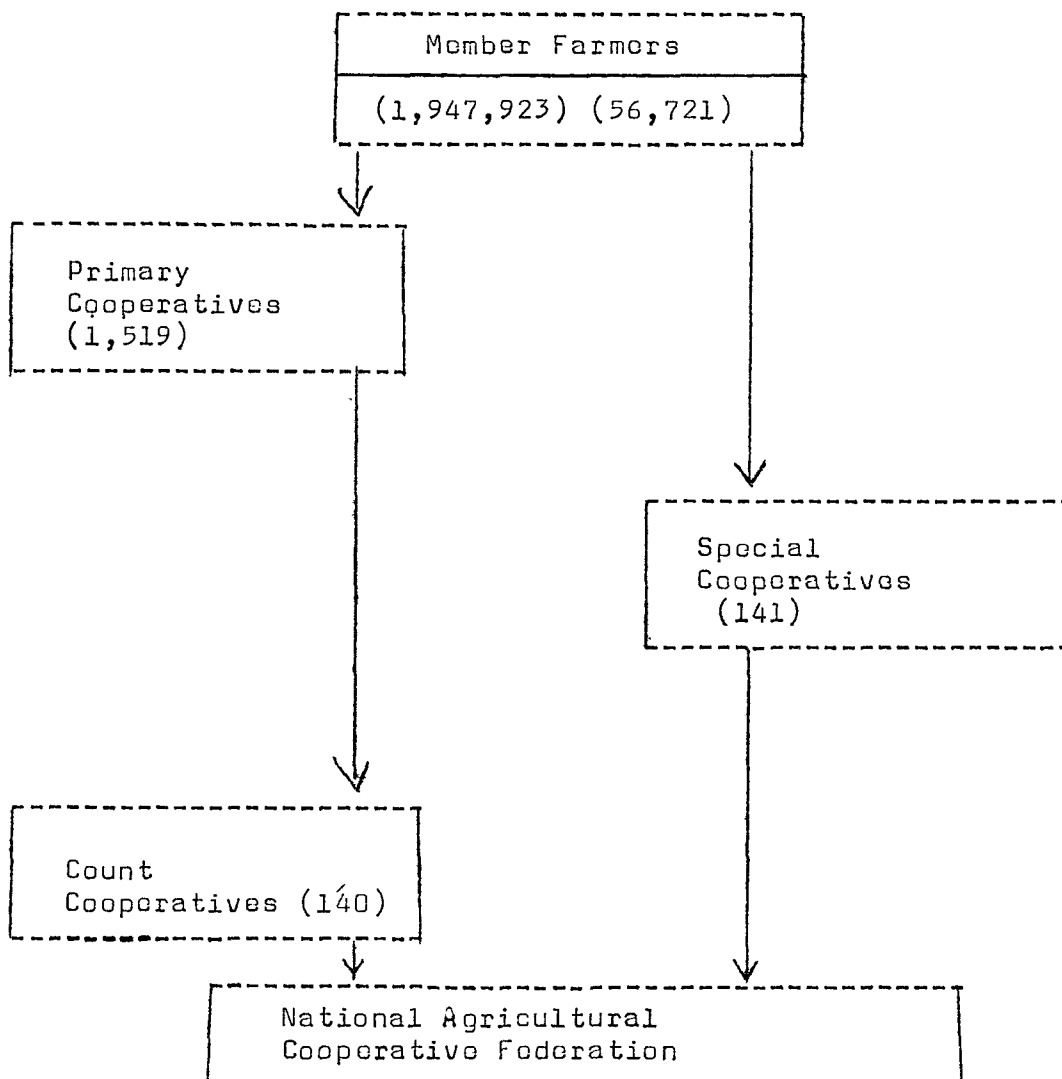
The county or city cooperatives are secondary organisations whose membership is primary cooperatives and their operational areas are

identical with the administrative districts of county or city. Currently, around 11 primary cooperatives are affiliated with a county or city cooperative on the average. They operate diverse businesses as the intermediate body between the primary cooperatives and the national federation. There are 140 county or city cooperatives and 232 branches of them over the nation.

As an apex organisation of agricultural cooperatives in Korea, the National Agricultural Cooperative Federation has been established with their membership composed of the county or city cooperatives and special cooperatives. The NACF has the head office in Seoul and 9 local branches in the capital cities of each province.

ORGANISATIONAL STRUCTURE

(as of the end of 1977)



2. Objectives and Roles

As prescribed by the Agricultural Cooperative Law, agricultural cooperatives are farmers' voluntary organisations to promote agricultural production and to elevate their living standard through a close cooperation under the spirit of mutual help among them.

The objectives of the agricultural cooperatives, therefore, consist in increasing agricultural productivity, improving the social and economic status of farmers, promoting the cultural betterment of farmers, and assuring a balanced development of the national economy. In fact, agricultural cooperatives have respectably contributed toward developing agriculture and enhancing farm income since their inauguration in 1961.

To attain the above objectives, NACF and member agricultural cooperatives conduct such wide range of businesses as credit and banking, marketing, purchasing, utilisation and processing, cooperative insurance, guidance and education, foreign trade and research. These activities are not only related to all economic activities of farmers, but also connected with government policies and programmes for agricultural development.

The major functions of agricultural cooperatives are as follows : mobilising and supplying the funds to be invested in agricultural sector, lowering prices of farm inputs and consumer goods, rationalising prices of agricultural products, improving farming technology and farmers' living standard. In addition, the agricultural cooperatives have been playing an important role in the rural Saemaul Undong (New Community Movement) in which farmers positively participated since the early 1970s.

As the sole institution handling agricultural credit and financing, the agricultural cooperatives have functioned to meet growing requirements of loan for agricultural development. They have granted more than 90 per cent of the total loans to the agricultural sector by all the banking institutions over the country.

Chemical fertilizer is exclusively distributed through the agricultural cooperative channel, and more than half of the farm chemicals used by farmers are supplied through the purchasing business of agricultural cooperatives. In particular, providing farmers with farm machinery has greatly contributed to the mechanisation of farming in recent years.

The implementation of marketing business has resulted in the reduction of marketing costs and improvement of agricultural marketing system by means of orderly marketing and mass merchandising. Due to their intensive marketing activities, the marketing share of agricultural cooperatives has been gradually increased year after year.

Through their joint utilisation businesses such as warehousing and transportation, agricultural cooperatives have functioned to stabilise price of farm products by stockpiling and timely shipment. In addition, with the production of feed from its own feed mixing plants, NACF has played an important role in meeting demand for feed increasing year after year. And the feed supplied by agricultural cooperatives has contributed to accelerating the development of livestock industry.

The important functions of cooperative insurance business by agricultural cooperatives are to provide farmers with provision against sickness, death or any unexpected accidents, and to ensure their properties from the sudden fire or other accidents. Furthermore, the operation of cooperative insurance fund accumulated by the insurance business has contributed toward elevating welfare of farmers.

Agricultural cooperatives have rendered great services to the improvement of farming and farmers' living standard through the activities of guidance and education for member farmers. In recent years, the integrated Saomaul projects conducted by primary cooperatives have encouraged farmers to positively participate in the development of their rural communities.

3. International Organisation

A. National Agricultural Cooperative Federation

As the policy making organisations, there are General Assembly, Representatives Meeting and Administration Board in NACF.

(1) General Assembly

General Assembly is composed of the President and members of NACF, and divided into a regular session and extraordinary session. President of NACF is the Chairman of the General Assembly. A regular

session of the Assembly is convened once a year within two months after the end of fiscal year.

The resolutions of a general assembly are as follows :

- a) Amendment of bye-law
- b) Election of representatives of NACF, and other important matters proposed in the assembly.

(2) Representative Meeting

The Representatives Meeting is organised by 36 members elected from the General Assembly meeting. The members are composed of three persons elected by mutual votes of members of county or city cooperatives under each provincial unit (one representative each in the case of the special city of Seoul, Pusan city, and Cheju province,) and 9 persons elected by members of special cooperatives. The tenure of a representative is two years.

The following items are subject to the resolution by the Representative Meeting.

- a. Election of 5 members of Administration Board
- b. Approval of the business plan, budget of revenues and expenditures, and settlement of accounts for each fiscal year.
- c. Matters entrusted from the General Assembly, and
- d. Other matters proposed by the President of NACF.

(3) Administration Board

The Administration Board is composed of a chairman, the President of NACF and the following 8 members.

- a. Three persons appointed by the Minister of Agriculture and Fisheries, Minister of Finance and the Governor of the Bank of Korea.
- b. Five persons elected by the Representative Meeting. However, 3 persons of them are members of the Representative Meeting, and other two of them are persons with abundant knowledge and experience in agriculture and agricultural economy.

The Administration Board decides basic policy concerning operation and management of NACF within the scope of provisions of law and by-law and resolutions of the General Assembly and the Representative Meeting. Furthermore, it may issue necessary regulations and instructions for the performance of the businesses of NACF.

The President of NACF preside over the meeting of the Administration Board, and the Executive Vice Presidents, Vice presidents and Auditor of NACF may attend at the Administration Board and set forth their opinion.

The President of NACF is appointed by the President of the Government on the request of the Minister of Agriculture and Fisheries with the concurrence of the Minister of Finance. The Executive Vice-Presidents and Vice Presidents are appointed by the President of NACF subject to the approval of the Minister of Agriculture and Fisheries. And Auditors are appointed by the Minister of Agriculture and Fisheries with the concurrence of the Minister of Finance. The tenure of President and Vice Presidents are three years, and that of Auditor is two years.

B. County, Primary and Special Agricultural Cooperatives.

The policy making organisations of county or city cooperatives are General Assembly or Representatives Meeting, and Board of Directors.

The General Assembly is composed of the President and members of a county cooperative. While the Board of Directors is composed of the President and directors of the cooperative.

The Number of Officers

	Primary Coop.	Special coop.	County coop.
President	One	One	One
Directors	Four	less than 5	less than 6
Auditors	Two	Two	Two

In the case of the primary cooperative and special cooperative, the representatives meeting is organised. A cooperative with a membership of one hundred or more may have a Representative Meeting to substitute for the General Assembly. The office term of Representatives is two years.

The following matters are decided by the resolutions of the General Assembly of the cooperatives.

- a. Amendment of the bye-law.
- b. Dissolution, amalgamation or division of the cooperative
- c. Expulsion of a member of the cooperative.

A President of a primary cooperative is to be elected from among the members of the Board of Directors. While, the presidents of county cooperatives and special cooperatives are to be elected from among member farmers by their General Assembly. However, the presidents of county or city cooperatives are appointed by the president of NACF, and the presidents of the primary cooperatives are appointed by the president of county on a temporary basis.

Directors and auditors of all cooperatives are elected by the General Assembly.

The tenure of the President and Directors is three years, and that of auditors is two years.

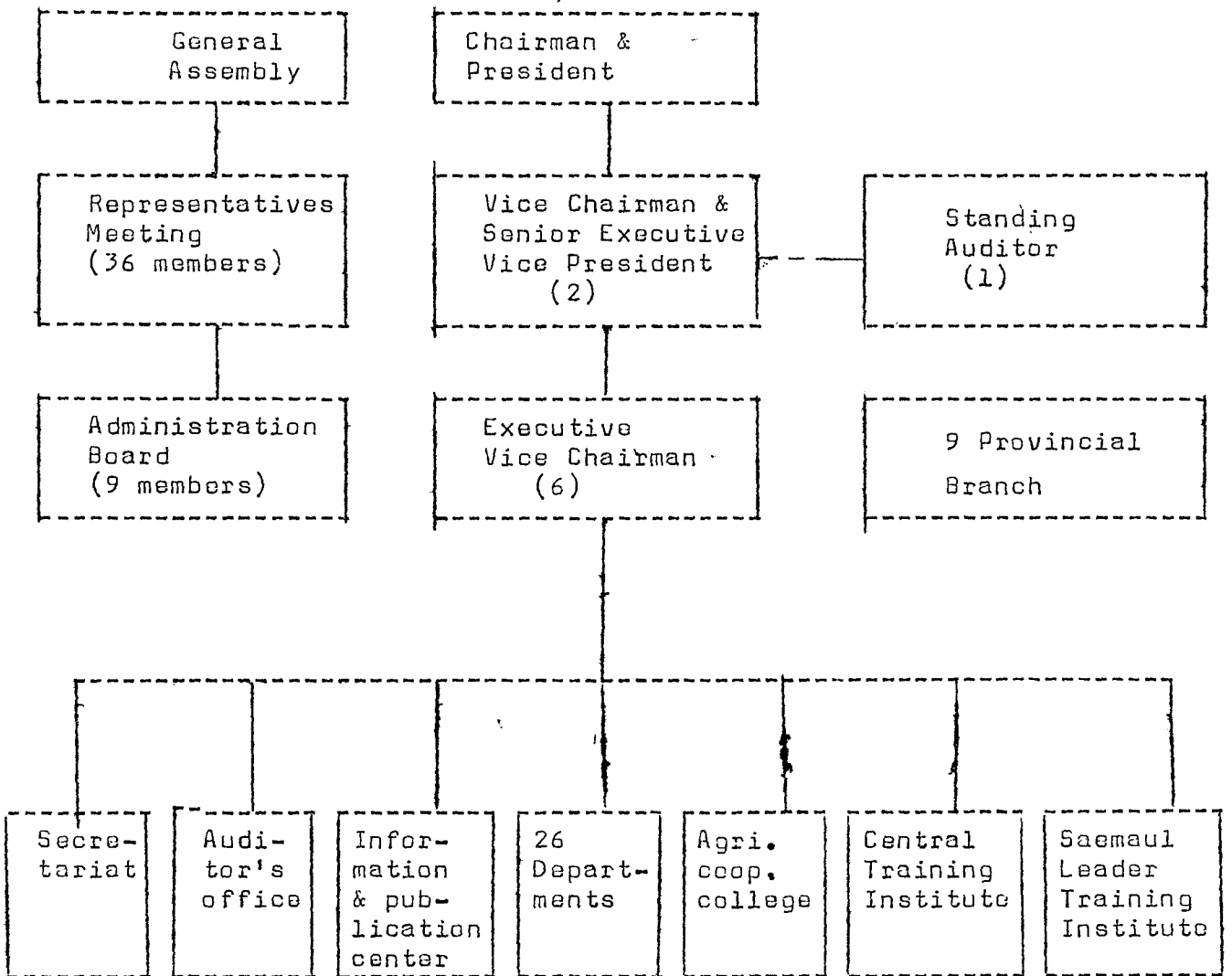
- d. Election and dismissal of the official of the cooperative
- e. Enactment and amendment of covenant and regulations of cooperative insurance business
- f. Business report, inventory, financial statements and proposals regarding disposal of surplus funds and losses.
- g. Matters deemed necessary by the President or Board of Directors.

The Board of Directors decides and resolves the following matters :

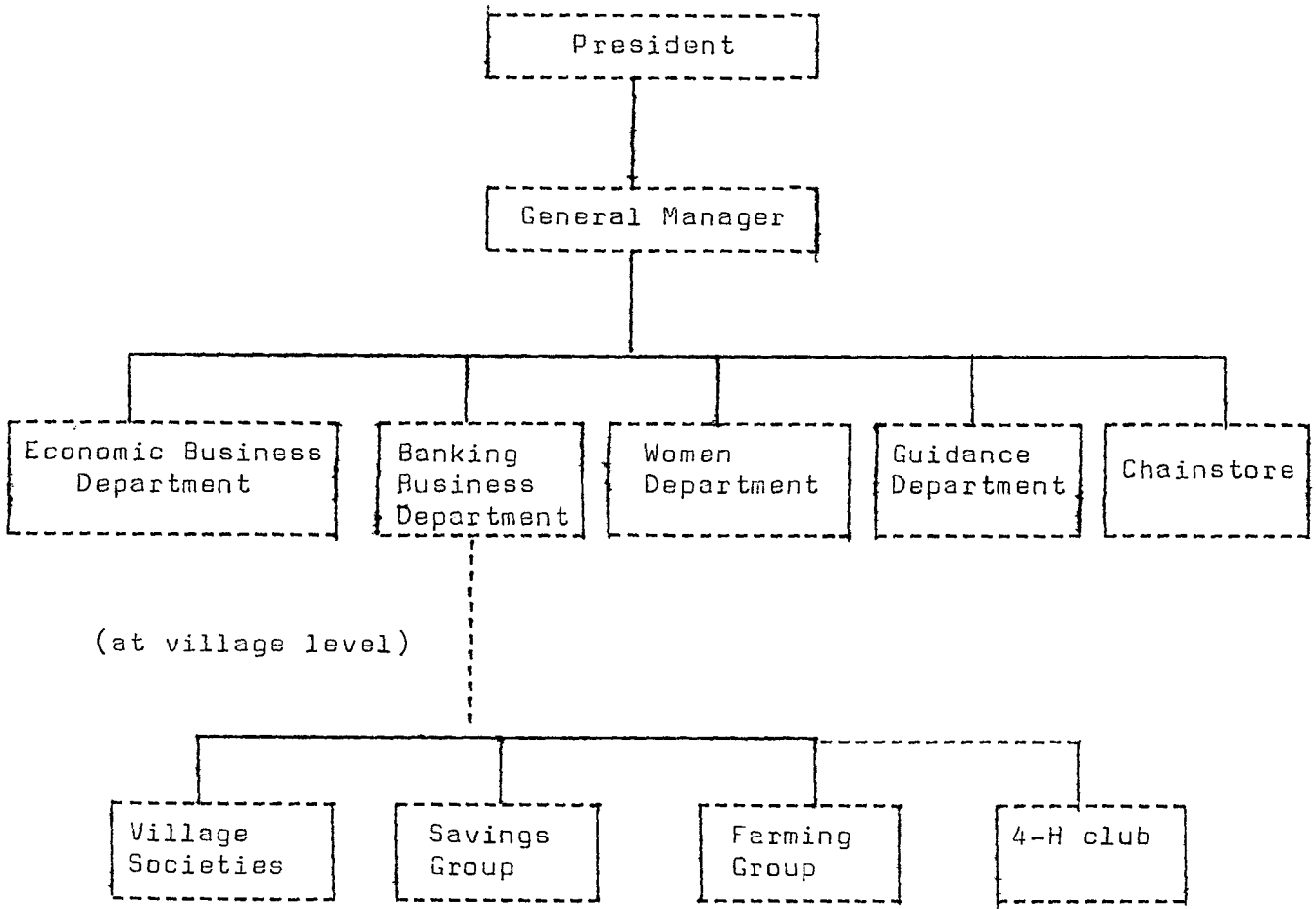
- a) Examination of membership qualification.
- b) Use of legal reserve fund.
- c) Maximum limit of the borrowings.
- d) Methods of imposition and collection of expenses.
- e) Formulation and modification of business plan and the budget.
- f) Appointment and dismissal of executive staff members.
- g) Acquisition and disposal of basic properties.
- h) Decision of business implementation policy including the enactment and modification of business rules and regulations.

- i) Matters entrusted by the General Assembly, and matters to be presented to the General Assembly.
- j) Any other matters proposed by the President of the cooperative.

Organisational Chart of NACF



Organizational Chart of Primary Cooperative



4. Membership of Cooperatives

A. Primary Cooperative

A member of a primary cooperative is an individual householder who has his address or residence within the operational area of the cooperative. He has to engage in agriculture for more than 90 days in a year. Each member of the cooperative has to own at least more than one share of stock of which per value is 1,000 won.

A cooperative may have associate members which are such agricultural organizations as forestry associations, farm land improvement associations located in its operational area.

B. Special Cooperative

A member of a special cooperative is a person who is engaged in specialized field of agriculture with the places of domicile or residence within the operational area. Each member of the cooperative has to own at least more than one share of stock. Per value of each share of stock is 3,000 won.

C. County or City Cooperative

The members of a county or city cooperative consist of primary cooperatives established in its operational area. Each primary cooperative affiliated with a county or city cooperative has to own at least more than one share of stock. Per value of each share of stock is 10,000 won.

Share of Stock Per Member

Cooperative	No. of shares	Per value of each share(won)	Total Value (thous.won)
Primary coop.	1-1,000	1,000	1-1,000
Special coop.	1-2,000	3,000	3-6,000
County or city coop.	1-2,000	10,000	10-20,000
NACF	10-10,000	10,000	100-100,000

Share Capital of Primary Cooperatives

Year	Total share capital	Per cooperative	Per member farmer
	mill. won	thous. won	won
1975	31,422	20,338	16,400
1976	40,584	26,439	21,733
1977	55,971	36,847	28,632

Share Capital of Special Cooperatives

Year	Total share capital	Per cooperative	Per member farmer
	mill. won	thous. won	won
1975	2,745	33,930	93
1976	3,836	44,908	116
1977	5,222	58,191	145

Share Capital of County Cooperatives and NACF

in million won

Year	County or city cooperatives	NACF
1975	6,792	3,753
1976	8,693	5,058
1977	11,407	7,069

D. National Agricultural Cooperative Federation

The members of NACF consist of county or city cooperatives and special cooperatives over the nation. Each member cooperative has to own at least more than ten shares of stock. Per value of each share of stock is 10,000 won.

5. Kinds of Business Activities

a. Primary cooperatives, county or city cooperatives, and special cooperatives.

- 1) Guidance service for production and living improvement (education for improvement of agricultural techniques and management, and facilities to improve rural living and culture)
- 2) Purchasing business (Purchasing, transportation storing, processing and supply of commodities needed by member for their business and living)
- 3) Marketing business (Transportation, storing, processing, inspection and marketing of products produced by member farmers)
- 4) Banking and credit services (excluding special cooperatives)
- 5) Utilization business (installation of facilities to be used jointly by members to meet the needs of their business or living; exploitation and management of land for agriculture; installation and management of irrigation facilities; and facilities to increase efficiency of agricultural labour).
- 6) Cooperative insurance business
- 7) Medical services for member farmers
- 8) Conclusion of collective bargaining agreement (agreement with other economic organizations and cultural organisations for economic activities or measures for improvement of living standard).

- 9) Businesses entrusted by county cooperatives (in the case of Primary cooperative), entrusted by NACF (in the case of special cooperative and county or city cooperative)
- 10) Businesses entrusted by the Government
- 11) Other business approved by the Minister of Agriculture and Fisheries

b. NACF

- 1) Guidance and adjustment of businesses conducted by member cooperatives
- 2) Research work and information service concerning the businesses of member cooperatives
- 3) Training for executive officials and staff members of agricultural cooperatives
- 4) Purchasing and marketing businesses, its joint undertaking and business in proxy.
- 5) Banking and credit services
- 6) Joint processing facilities for the exploitation of business activities of member cooperatives
- 7) Cooperative insurance business for member agricultural cooperatives
- 8) Business entrusted by the government
- 9) Business subsidized by the government
- 10) Foreign trade business associated with the businesses specified in the above items
- 11) Other business activities such as deemed necessary to achieve the purposes approved by the Minister of Agriculture and Fisheries

6. Business Activities Performed in 1977 by NACF and its Member Cooperatives

A. Credit and Banking

The NACF and member agricultural cooperatives are engaged in diverse credit and banking businesses such as deposits, loans, remittance, and credit guarantee for not only member farmers but also non-farmer customers. And they supply various government-loan for agricultural development to farmers and agricultural organizations concerned.

Financial resources totaled 802.3 billion won at the end of 1977, compared with 614.0 billion won in 1976. Out of the total resources, 59.5 percent came from deposits, 25.5 percent from the government, the Bank of Korea and foreign loans, and 15 percent from other liabilities and reserves.

The total deposits received by NACF and the county or city cooperatives in 1977 amounted to 477.4 billion won, showing an increase of 33.2 percent over a year ago. The total consisted of 225.3 billion won of demand deposits and 252.1 billion won of saving deposits. While, the borrowings from the government and Bank of Korea stood at 204.3 billion, compared with 173.4 billion won in 1976.

Total loans granted in 1977 amounted to 765.9 billion won. While, the balance of loans as of the end of 1977 was 461.1 billion won, an increase of 27.5 percent over a year earlier. Out of the loans outstanding, about 52.7 percent was made from deposits and borrowings and 18.5 percent came from the government budget sources, showing a 14.8 percent increase and 40.6 percent respectively over the preceding year.

Most of these loans were supplied mainly for the improvement of agricultural productivity, export promotion of farm products, fostering of primary cooperatives and rural development projects. In accordance with the expanded sources of finance in recent years, NACF and member agricultural cooperatives have improved the agricultural credit system for enhancement of loan efficiency and timely delivery of loan to farmers.

The NACF and member agricultural cooperatives have handled credit guarantee business since 1972 through the operation of the Guarantee Fund contributed by NACF and the government in order to supply agricultural fund to farmers without sufficient collateral. With the expansion of the guarantee business, the total amount of the Fund increased to 4.3 billion won in 1976 from 3.2 billion won of a year ago level. Thereby, the ceiling of the guarantee was raised up to 62.2 billion won, and the total loans guaranteed by the Fund reached 35.9 billion won during the year, compared with 25.9 billion won in 1976.

In particular, all the primary cooperatives began to deal with the guarantee business from 1977 through new contracts with 809 primary cooperatives. Thus, the number of organizations handling the guarantee business stood at 1,700 including all the agricultural cooperatives.

Since the initiation of mutual credit programme in 1969 as one of the most important banking service of the primary cooperatives, it has recorded rapid progress both in deposits and loan under the positive patronage of farmers and continuous support from NACF. As of the end of 1977, the balance of deposits received under the programme amounted to 272.5 billion won, while loans stood at 116.6 billion won, showing an increase of 74.8 percent and 72.1 percent respectively over the previous year.

As a result of efforts rendered in recent years by agricultural cooperatives to promote rural savings targeted at 1,000 billion won, the total amount of the deposits received from farmers reached 538.0 billion won at the end of 1977.

Deposits Received and Loans Granted by NACF and county
or city cooperatives

Items	Balance as of the end of year		
	1975	1976	1977
Total Deposits	259,466	358,304	477,349
Demand Deposits	130,298	159,702	225,271
Savings Deposits	129,168	198,602	252,078

Farmers' Deposits	58,513	74,579	85,511
Non-farmers' Deposits	200,953	283,725	391,838

Total Loans	284,106	361,631	461,092
Loans with banking funds	202,734	252,007	289,220
Loans with govt. funds	49,591	60,605	85,207
Loans with other funds	31,731	49,019	86,665

Deposits and Loans under the Mutual Credit Programme of Primary
Cooperatives.

Items	Balance as of the end of year		
	1975	1976	1977
Total Deposits	89,878	155,894	272,483
Total Loans	41,875	67,740	116,570

B. Marketing

Agricultural cooperatives have conducted marketing business for the purpose of extending benefits to not only farmers but also consumers for agricultural products. In recent years, NACF and member agricultural cooperatives have put emphasis on the integrated cooperative business system from production to marketing in order to carry out an efficient marketing business.

The NACF has strengthened the agricultural marketing information system through operation of information centres in the large cities of Seoul, Busan and Daegu. These centres are equipped with automatic telephone answering devices to provide information on auction prices of the cooperative marketing centres.

During 1977, 63 sets of teletype were installed in NACF and its member cooperatives to exchange rapid information on market situation. In addition, NACF conducts survey on the price and supply of farm products in 63 major producing areas and 36 major consuming urban centres. As regards the marketing information activity, NACF not only publishes 2,000 copies of Marketing Information Weekly which covers the auction prices at the cooperative marketing centres in Seoul and wholesale prices of farm products in major cities, but also releases daily price situation through radio broadcasting stations over the country.

Total marketing turnover of NACF and its member cooperatives during the year reached 464.1 million won, showing an increase of 25 per cent over the preceding year. The market share of the agricultural cooperatives accounted for 24 per cent in 1977, compared with 21.3 per cent in 1976.

The NACF operates 18 cooperative marketing centres at wholesale level in the six major cities of Seoul, Busan, Daegu, Kwangju, Daejeon and Incheon. Through these centres, major farm products including grains are distributed to designated dealers on an auction basis. In addition, NACF runs 11 collection points of farm products established along the express highways for the purpose of efficient shipment and various marketing activities.

During the year 1977, total sales through the cooperative marketing centres amounted to 203.0 billion won. The predominant product handled was grain including government grain, comprising 72.6 per cent of the total or 173.1 billion won. And total amount of fruits, vegetables and eggs sold by the centres reached 13.4 billion, 9.1 billion and 1.8 billion won, respectively.

Additionally, NACF is operating livestock marketing centres in Seoul and Jeonju with modernized slaughtering facilities in an effort to stabilise price of beef and pork and increase income of livestock farmers. Beef and pork sold through the centres were valued at 35.3 billion won, an increase of 79.3 per cent over the preceding year. Out of the total value, 98 per cent was supplied to domestic markets at reasonable prices.

On the other hand, agricultural cooperatives deal exclusively with raw materials such as silk cocoons, sweet potatoes, beer barley, rapeseed and yellow corn to be purchased by processing industries. Total sales of these products reached 86.9 billion won during 1977. Of these materials, cocoon was the most important item representing 58 per cent of the total sales or 50.7 billion won and sweet potatoes accounted for 24.7 billion won.

With a view to conducting efficient cooperative marketing, agricultural cooperatives have fostered over the country 15,486 farming groups which are internal organisations of the primary cooperatives. In addition, agricultural cooperatives have improved marketing tools such as assorting, grading and packaging to enhance marketability of farm products.

Status of Marketing Business

in million won

	1975	1976	1977
Farm products sold by cooperative marketing centres coop.	151,339	255,116	203,046
Beef and pork sold by livestock marketing centres	162,827	274,790	238,328
Rae materials including cocoons	64,955	93,645	82,792
Farm sideline goods	5,683	6,192	4,072
Sales to Korean Army	7,016	12,085	16,733

C. Purchasing

Through the purchasing business, NACF and member agricultural cooperatives provide farmers with farm inputs and daily necessities at a proper time and at reasonable prices. Major farm inputs supplied by agricultural cooperatives include fertiliser, farm chemicals, farm machinery, foodstuff, seeds and seedling.

In 1977, total purchases and supplies amounted to 336.6 billion won, showing an increase of 16.4 per cent over a year ago level. Out of the total supplies, farm inputs represented 87.7 per cent or 295.1 billion won and consumer goods counted for 12.3 per cent. The purchasing business performed by agricultural cooperatives during the year was as follows.

Fertiliser : Out of the total farm inputs supplied in 1977, fertiliser accounted for 55.5 per cent, or 163.9 billion won. A total of 2.3 million metric tons of fertiliser were distributed in 1977, compared with 1.9 million tons in 1976. On a nutrient basis, chemical fertiliser consisted of 52.7 per cent of nitrogen, 28.5 per cent of

of phosphate and 10.8 per cent of potash. Of the total chemical fertiliser, domestic fertiliser accounted for 94.4 per cent and imported fertiliser for 5.6 per cent.

With a view to adjusting supply and demand for fertiliser, NACF and member cooperatives operate fertiliser information centres. From 1977, all of the primary cooperatives began to assume direct distribution of fertiliser to farmers.

Farm chemicals : Total supplies of farm chemicals were 7.8 thousand metric tons valued at 20.6 billion won. Out of the total, 55.4 per cent or 4.3 thousand metric tons were supplied for paddy production and 17.4 per cent for horticultural use. Recently, agricultural cooperatives have made efforts to extend best services to farmers through timely distribution of farm chemicals. In addition, the guidance for efficient application of farm chemicals has been conducted by the cooperatives.

Machinery : The amount of farm machinery supplied during 1977 totaled 38.5 billion won, an increase of 14.3 per cent over the previous year. Major items supplied during the year included 40,771 power tillers, 27,528 power dusters, 11,586 power sprayers and 6,789 automatic threshers. In order to provide member farmers with timely repairing service, 119 county cooperatives and 111 primary cooperatives operate their own farm machinery service centres. In particular, all of the primary cooperatives began to supply farmers with big machinery from 1977.

Foodstuff : In compliance with the government policy for the development of livestock industry, NACF expanded the distribution of foodstuff. Total amount of foodstuff supplied reached 63.8 billion won, showing an increase of 26.0 per cent over the preceding year. Of the total, supplies of yellow corn accounted for 60.6 billion won, compared with 45.1 billion won in 1976.

Other inputs : In addition to above mentioned farm inputs, about 1.3 billion won worth of seeds and seedling, and 7.0 billion won worth of other materials were supplied during the 1977.

Daily necessities : Daily necessities are supplied through the cooperative chain stores which have been operated by the primary cooperatives as part of the consumer movement in the rural areas since 1970. The number of cooperative chain stores stood at 1,313 as of the end of 1977.

Total value of daily necessities supplied in 1977 amounting to 41.5 billion won, showing an increase of 48.2 per cent over a year ago figure. Of the total amount, food sales accounted for 25.2 billion won or 60.7 per cent. While other major items were clothing, sanitation goods, and durable goods, consisting of 16.7 per cent, 5.8 per cent and 5.7 per cent respectively.

Status of Purchasing Business

	in million won		
	1975	1976	1977
Farm inputs	205,536	261,232	295,102
Fertiliser	109,748	141,642	163,857
Farm chemicals	22,536	28,504	20,551
Seeds and seedling	1,995	1,746	1,322
Foodstuff	41,749	50,667	63,829
Others	4,886	4,952	7,011
Consumer goods	18,397	28,031	41,484
Total	223,933	289,263	336,586

D. Utilisation and Processing

Major activities of utilisation and processing by agricultural cooperatives are warehousing, artificial insemination, food production and transportation.

The NACF and member agricultural cooperatives operate warehouses which have contributed to conducting both marketing and purchasing businesses. Total warehouses owned by NACF and member agricultural cooperatives numbered 10,107 with a total floor space of 2,406 thousand square meters and storage capacity of 3,218 thousand metric tons. Total quantity of grains and fertiliser stored in these warehouses stood at 3,078 thousand metric tons in 1977, an increase of 8 per cent over the preceding year.

The artificial insemination service has been carried out by the livestock improvement office of NACF since 1963. During the year 1977, the Office supplied 363 thousands ampoules of frozen bull semen to 171 artificial insemination stations at the levels of the county and the special cooperatives. The inseminated livestock numbered 184.6 thousand head of native cattle, 40.7 thousand head of milk cow and 47.5 thousand head of hog in 1977.

The NACF operates two feed mixing plants in the cities of Busan and Incheon with a view to supplying feed to farmers at reasonable prices. During the 1977, a total of 115.2 thousand metric tons of feed was produced by both plants which have annual production capacity of 45 thousand metric tons each. In addition, a new feed mixing plant is under construction in the city of Gunsan with an annual production capacity of 90 thousand metric tons.

Agricultural cooperatives are engaged in transportation business with their own trucks in order to efficiently move farm products and agricultural inputs. During 1977, a total of 3,188 thousand metric tons of farm products and inputs were shipped, compared with 1,585 thousand metric tons in 1976.

E. Cooperative Insurance

The cooperative insurance business of agricultural cooperatives was launched with the initiation of damage insurance in 1961. Since the inauguration of life insurance in 1965, cooperative insurance business has been much expanded year after year.

Life insurance is divided into four categories : new life insurance, education insurance, short-term deposit insurance and whole life insurance. In an effort to expand these four kinds of insurance, agricultural cooperatives discontinued in 1977 new contract for policies of old types of life insurance such as endowment insurance, juvenile insurance and short-term life insurance.

Total amount of life insurance policies sold during 1977 reached 83.8 billion won, an increase of 34.9 per cent over the preceding year. And effective policies amounted to 236.2 billion won at the end of the year, compared with 181.8 billion won in 1976. Thereby, the premiums received from life insurance totalled 15.6 billion won, increasing by 6.9 billion won over a year ago level.

Damage insurance is classified into special livestock insurance, fire insurance, forest fire insurance, depositors welfare insurance and long term insurance which was newly designated in 1977.

Total damage insurance policies sold during the year reached 1,300 billion won, and the premiums received from the insurance amounted to 2.9 billion won showing a whopping increase of 61.1 per cent over the previous year. In addition, total effective policies of national life insurance, which was taken over by agricultural cooperatives from the government in 1977, stood at 59.7 billion won at the end of the year.

With the expansion of new policies sold, the operation fund of cooperative insurance totalled 100.5 billion won in 1977, up 107.6 per cent from the preceding year. The NACF and member agricultural cooperatives have effectively operated cooperative insurance business for the benefits of contractors and their family members by operating mobile insurance clinics and granting insurance scholarships.

Status of Cooperative Insurance Business

	in million won		
	1975	1976	1977

Life Insurance			
Premium received	6,810	8,717	15,564
Effective policy	150,737	181,776	236,199
Payment of insurance money	1,248	3,903	3,703
Damage Insurance			
Premium received	2,216	1,808	2,919
Effective policy	1,129,885	1,346,614	1,300,131
Payment of insurance money	288	193	1,215
=====			

F. International Banking

The NACF has much contributed toward exports of agricultural commodities and timely import of farm inputs required by farmers by carrying out its international banking business.

At the initial stage, NACF handled foreign exchange business through the intermediary of other commercial banks with the approval in 1969 of the Ministry of Finance. However, with a view to responding to growing needs for foreign exchange business among its customers and to meeting increased foreign trade in agricultural sector, NACF commenced international banking business as a class A foreign exchange bank from 1973 with the establishment of correspondent arrangements with 275 banks in foreign countries.

In accordance with the gradual progress of the international banking business, NACF expanded its overseas correspondents. Thereby, the number of correspondent banks stood at 491 comprising leading banks in 71 countries at the end of 1977, compared with 323 banks of 47 foreign countries in 1976.

With its worldwide network as a full-fledged international bank, NACF has conducted all types of international banking services as follows opening of letters of credit, negotiation of export bills, selling and buying of foreign exchange, issuance of export and import licences, guarantees of obligations, foreign trade financing, credit inquiries and remittance.

During 1977, negotiation of bills totalled 143.4 million US Dollars showing a rapid increase of 102.5 per cent or 72.6 billion won over the previous year. A sharp increase in the negotiation resulted from rapid expansion in export of raw silk. Import letters of credit opened during the year amounted to 195.6 million US Dollars, up 7.2 per cent over 1976. While local letters of credit opened reached 44.6 million US Dollars, an 84.0 increase over a year earlier.

Export finance extended in 1977 for promoting export of farm products amounted to 71.9 billion won, compared with 64.7 billion won in 1976. And the guarantees of obligations issued stood at 48.1 million US Dollars during 1977, an increase of 8.3 per cent over the preceding year.

Total amount of selling and buying of foreign exchange in 1977 reached 74.6 million US Dollars, increasing by 23.3 million US Dollars over 1976. And foreign exchange remittance handled in 1977 totalled 3.3 billion won, an increase of 11.0 per cent over the previous year,

Major items served by NACF for customers in the area of international banking include agricultural products and farm inputs. Major agricultural products are raw silk, canned mushroom, ginseng products and livestock products including pork. While, farm inputs are feedstuff, farm chemicals, farm machinery, and livestock products including milk cow.

In recent years, NACF has been despatching its staff members engaged in international banking business to the United States with a view to securing a number of foreign exchange specialist to extend better services as well as to enhance business efficiency. Through the overseas training programmes and improvement of international banking business, NACF has been endeavouring to support both export of agricultural products and import of farm inputs.

G. Foreign Trade

In recent years, exports of agricultural commodities and marine products have been gradually increased year after year with the encouragement of the government policy for export promotion. The NACF has also positively participated in the promotion of exports for farm products through the foreign trade business in order to contribute toward improvement of farm income. Particularly, the importation of farm inputs to be supplied to farmers has much contributed to increasing agricultural productivity.

With a view to expanding exports of farm products and carrying out efficient marketing activities in overseas markets, NACF has established a trade representative office in the United States. Additionally, NACF is contemplating opening another representative office in Japan in 1978.

In addition, NACF and member agricultural cooperatives are endeavouring to develop new items for export and to exploit overseas market for farm products by means of interchanging various information and materials related to foreign trade.

The major export items handled by NACF encompassed about 20 items including canned mushroom, pork, radish seed, onion, chestnut, straw products and handicrafts. Among them, caned mushroom was the most important item to earn foreign exchange. These items were exported to such countries as the United States, Japan, West Germany, Canada, Australia, Sweden, Switzerland and New Zealand.

While major import items were feedstuff including yellow corn, pasturage seeds, milk cow, breeding bull, and farm chemicals. The NACF imported these items from Japan, the United States, Canada, Thailand, Australia, New Zealand, West Germany, Luxemburg, United Kingdom and Mexico. The performance of foreign trade business conducted in 1977 was as follows.

EXPORTS : The total value of exports during the year amounted to 8.8 million US Dollars, showing an increase of 3 per cent over a year ago figure. Out of the total, canned mushroom accounted for about 76 per cent or 6.7 million US Dollars. Particularly, the export of pork and radish seeds showed good performance during the year. Several items such as chestnut and straw products were newly exported in 1977 by NACF.

Besides the export to foreign countries, agricultural cooperatives supply the US forces in Korea with eggs as part of foreign trade business. The sales of eggs to the US forces amounted to 210 thousand US Dollars. In recent years, NACF and member cooperatives have encouraged farmers to produce exportable farm products of better equality by implementing contract farming and supplying production loans.

IMPORTS : Total amount of imports reached 139 million US Dollars in 1977, an increase of 56.6 per cent over the preceding year. The import of yellow corn totalled 131 million US Dollars during the year, accounting for 94 per cent of the total. And total import of farm chemicals was valued at 5.5 million US Dollars.

The importation of milk cow and feedstuff materials including yellow corn has been conducted with a view to developing livestock industry. Timely purchase of raw materials for manufacturing farm chemicals and phosphatic calcium much contributed toward increasing agricultural productivity.

H. Foreign Loans

The NACF has induced foreign loans since 1968 for the purpose of meeting a sharp increase in demand for agricultural development fund. As an important financial resources, foreign loan fund is supplied by NACF to farmers and agricultural organisations on the basis of long term and low interest rate.

Most of the foreign loans from international banking institutions are used for the implementation of irrigation projects, expansion of agricultural marketing facilities such as warehouses, development of livestock and dairy industry and the improvement of horticulture and sericulture.

The lenders of foreign loans include International Development Association, Agency for International Development, KFW of West Germany, IBRD, Convertible Local Currency Credit of the United States, Export-Import Bank of Japan and Canadian International Development Agency.

At the end of 1977, the foreign loans induced by NACF amounted to 31.5 billion won, showing an increase of 41.1 per cent from 22.3 billion won of the previous year. In 1977, the NACF newly induced foreign loans totalling 11.1 billion won, out of which 3.2 billion won came from KFW of West Germany, 5.7 billion won from the United States and 2.2 billion won from IDRD.

Of the new loans, 4.3 billion won was used for construction of warehouses for food grains, 2.4 billion won for supply of farm machinery, 2.2 billion won for improvement of horticulture and sericulture and 0.5 billion won for import of milk processing machinery.

On the other hand, NACF repaid 248 million won of foreign loans to Japan and 1.7 billion won to the United States during 1977.

I. Guidance and Education

In recent years, NACF and agricultural cooperatives have conducted guidance and education activities with emphasis placed on achievement of self-supporting primary cooperatives, promotion of integrated rural development as part of Saemaul Undong and extension of support for increase in agricultural production.

The self-supporting programmes for primary cooperatives were speeded up by means of increasing paid-in capital and expanding joint utilization facilities. Thereby, all of 1,519 primary cooperatives consolidated the base for self-supporting viable units by the end of 1977.

The paid-in capital of primary cooperatives in 1977 totalled 56.0 billion won, up 37.9 per cent from the previous year, with the average paid-in capital of 36.8 million won per cooperative and 28.6 thousand won per member farmer. While, the total paid-in capital of special cooperatives amounted to 8.2 billion won, showing an increase of 30 per cent over a year ago level. The average paid-in capital per cooperative and member farmer reached 58.2 million won and 145 thousand won, respectively.

As regards the institutions of education and training, NACF operates the Central Training Institute, the Agricultural Cooperative College and the Saemaul Leaders' Training Institute. During 1977, 3,706 staff members of NACF

and its member cooperatives participated in the training courses by the Central Training Institute. A total of 2,195 staff members of primary cooperatives were trained by the provincial training institutes of NACF.

In addition, 129,292 staff members of primary cooperatives and special cooperatives including 118,000 persons of leading member farmers were trained at provincial and county levels. The Saemaul Leaders Training Institute trained a total of 5,991 leading personalities of every walk of life including Saemaul leaders during the year 1977.

J. Research and Publication

The NACF carries out research activities which have greatly contributed not only to the development of agricultural cooperative movement, but also to policy-making for agricultural development in Korea.

The functions of research activities of NACF are: (1) research and analysis related to the various fields of the agricultural credit and foreign agricultural economy and policy, (2) survey of price, wages and charges paid by farmers as well as prices of farm products received by farmers, (3) survey of cost for agricultural production and earnings from major farm products, (4) price forecasts for major farm products, agricultural outlook services and estimation of cultivated acreage for major crops, (5) research on agricultural cooperative movement, and (6) survey on farm management and agricultural marketing.

During the year, the activities of research were conducted with emphasis placed on realizing basic goals of agricultural cooperatives, contributing towards increased production of food grains, interchanging information on overseas agriculture, utilizing agricultural resources, and strengthening survey on rural development.

The NACF publishes newspaper, periodicals, research reports, handbooks and other diversified information materials. As part of publicity activities of NACF, the Nongmin Sinmun (weekly farmers' newspaper) and the Sae Nongmin (monthly new farmer) are published by the Information and Publication Centre of NACF. While, the major periodicals which are published as the result of research activities include Monthly Review, Agricultural Cooperative Yearbook, Annual Report, Agricultural Information and World Agriculture News.

International Cooperation

The international cooperation activities of NACF has been carried out through the close collaboration with international bodies and overseas cooperative organizations. Since 1963, NACF has been a member of the International Cooperative Alliance established in 1895. A strong relationship has been maintained with such international organizations as APRACA, ESCAP, FAO, AARRO, ILO, IFAP and the International Raiffeisen Union with which NACF was affiliated in 1969.

Through the participation in the first general assembly of the Asian and Pacific Regional Agricultural Credit Association (APRACA) held in 1977, NACF has become a member of the international organization related to agricultural credit. On the other side, NACF has continued to maintain cooperation with overseas cooperative organizations around the world including the Central Union of Agricultural Cooperatives in Japan and the Cooperative League of the Republic of China.

During 1977, activities for international cooperation was promoted by means of mutual exchange of materials and interchange of personnel. Thereby, a number of staff of NACF and its member cooperatives were dispatched abroad to participate in conferences, seminars, and overseas training programmes on agricultural cooperative movement and rural development. More than 100 persons were dispatched to foreign countries under the personnel exchange and training programmes.

In 1977, more than 550 foreign cooperators and officials of international organizations visited NACF with a view to observing agricultural cooperative movement and rural development in Korea. Particularly, 24 participants for ICA Regional Seminar visited Korea in order to study our cooperative management under the sponsorship of the ICA Regional Office and NACF.

IV. APEX AGRICULTURAL ORGANIZATIONS

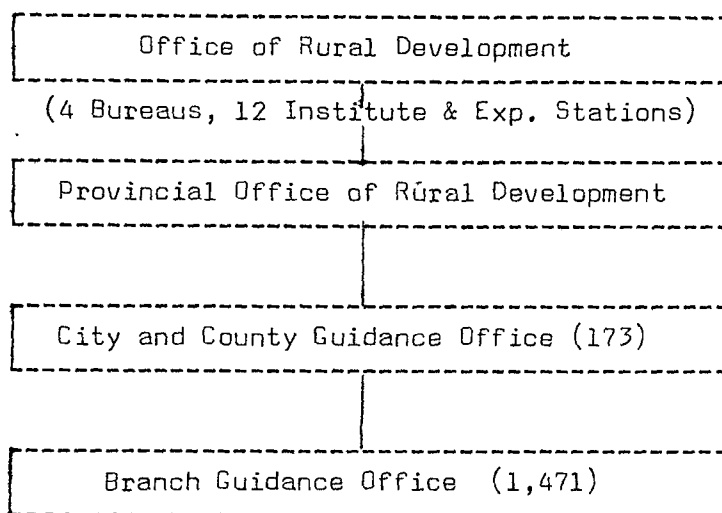
The organizations of the Korean Government which are concerned with agriculture are the Ministry of Agriculture and Fisheries, and the Office of Rural Development. In addition to these, there are government-invested organizations such as the Agricultural Development Corporation, Agriculture and Fishery Development Corporation. Besides the agricultural cooperatives there are farmers' voluntary self-help organizations such as farm land improvement associations, forestry associations and leaf tobacco associations.

1. Office of Rural Development

A. Organization

As an organization of the Ministry of Agriculture and Fisheries, the Office of Rural Development is established at the national level in compliance with the Rural Development Act promulgated on March 21, 1962. The objectives of the organization are to promote farmer's welfare through agricultural improvement, rural guidance and extension, dissemination of agricultural technology, experiment, research work and training activities. The office has 9 provincial offices under provincial governors, 173 city and county rural guidance offices under mayors and county chiefs, and 1,471 branch guidance offices at town and village levels. Rural guidance work is being carried out at the village levels.

Organizational Structure



D. Activities

(1) Agricultural Research Projects

Agricultural research work has been conducted at ORD research institutes, stations and research bureaus of the nine provincial offices.

a. Agricultural science research

Soil survey and fertility, fertility improvement of newly reclaimed hilly land, and establishment of safe use standard of agricultural chemicals.

b. Crop research

Improvement of rice varieties for high yielding and early maturing, improvement of upland crop varieties for high yielding and their cultural practice, and labour saving culture of crops.

c. Horticultural research

Development of exportable horticultural crops and techniques for improved utilization of arable land.

d. Sericultural research

Improvement of silkworm varieties for high yielding and robust silk, improvement of silkworm rearing method and mulberry culture techniques, and control of mulberry disease and insects.

e. Livestock research

Establishment of feeding standards in livestock and poultry management, varietal improvement of livestock and poultry, and improved techniques and management of feeding livestock and poultry.

f. Veterinary research

Diagnosis and treatment of livestock diseases, inspection of livestock products, and development of vaccine for livestock diseases.

g. Agricultural engineering and products utilization research

Improvement and utilization of locally fabricated farm machinery, farm land protection and consolidation of paddy field, and improvement of irrigation and drainage for farm land.

(2) Rural Guidance Work

a. Community development guidance

Development of rural sideline jobs and technical guidance at cooperative farm and dissemination and guidance of methane gas installment.

b. Home life improvement guidance.

Improvement of dietary habits, technical dissemination of rural life improvement, and technical training for rural housewives.

c. Rural youth guidance

Training of Saemaul 4-H Club members and training in farm machinery operation and social activities.

d. Farmers training

Training of rural guidance workers and ordinary farmers and special technical training by crops.

e. Food crop production guidance

Technical guidance of rice and upland crop culture, dissemination of superior food crop varieties and guidance in group farming, and technical guidance of paddy and upland soil testing and control of disease and insects.

f. Cash crop guidance

Technical guidance for vegetables, fruit and floricultural crops, industrial and medicinal crops, technical guidance for green house horticultural crops and mushroom raising, and technical guidance at special project areas for rural income increase.

g. Sericulture and livestock guidance

Guidance of mulberry production, silk worm rearing and disease control, and dissemination of superior livestock and guidance in livestock feeding management.

(3) Technical Information Service

- a. Propagation of rural development policies and achievement
- b. Compilation and publication of technical training materials for rural guidance workers and Saemaul income increase projects
- c. Production and dissemination of farm educational film and slides
- d. Farming techniques broadcast through radio and T.V.
- e. Providing of technical articles to the mass media for farmers

2. Agricultural Development Corporation

A. Organization

The Agricultural Development Corporation was established through merger between land improvement association and Underground Water Development Corporation in compliance with the Rural Modernization Promotion Act effected in 1970.

The objectives of the corporation are to conduct integrated projects concerning farm land improvement, farm mechanization and housing improvement.

B. Business Activities

- 1) Projects for facilitation of irrigation and drainage
- 2) Reclamation of land
- 3) Projects for land readjustment
- 4) Installation of farming road in rural area
- 5) Purchase and supply of machinery for land improvement
- 6) Purchase and supply of machinery for land improvement
- 7) Construction and improvement of rural housing and guidance activities concerned
- 8) Technical assistance to the improvement of farm land
- 9) Conducting improvement of farm land entrusted by state, local autonomous government, and farm land improvement association
- 10) Exportation of techniques and service on the land improvement
- 11) Business entrusted by the Minister of Agriculture and Fisheries
- 12) Other projects such as deemed necessary to achieve the objectives of the corporation

3. Federation of Farm Land Improvement Associations

A. Organization

Farm Land Improvement Association of Republic of Korea was established in 1971 in compliance with the Rural Modernization Promotion Act. It has currently 127 farm land improvement associations which are located at county level.

B. Activities

The objective of farm land association is to enhance agricultural productivity through conservation and the improvement of farm land belonging to members.

Major activities of the association are as follows:

- 1) Projects for irrigation and drainage

- 2) Conservation and management of facilities for improvement of farm land
- 3) Consolidation of farm land and relevant project
- 4) Improvement of agriculture
- 5) Projects for conservation and restoration of farm land
- 6) Other projects such as deemed necessary to achieve the objectives of the association

4. Federation of Forestry Associations

A. Organization

The Federation of Forestry Association was organized in compliance with the Forest Law effected in 1961. The Federation has currently 141 forestry associations at city or country level. And it has nine provincial branches in the capital cities of each province.

B. Activities`

- 1) Activities for achievement of common objectives of member associations
- 2) Supply of subsidies to member associations
- 3) Business instructed by the competent office of the government
- 4) Mobilization of own funds and operation of forest funds
- 5) Businesses for production, processing, distribution, marketing, storage and export of forest products
- 6) Businesses entrusted by the government
- 7) Other projects such as deemed necessary to achieve the objectives of the associations.

V. NON-AGRICULTURAL COOPERATIVE ORGANIZATION

1. Fisheries Cooperatives

A. Brief History

A nation wide fishermen' organization emerged when the Korean Fishery Industry Association was set up in 1944. It was reorganized into Korea Fishery

Industry Association in 1949. In 1952, a more comprehensive fishermen' organization named Korea Fishery Association was formed and it consisted of 88 regional fisheries cooperatives and 15 business-type fisheries cooperatives.

In compliance with the Fisheries Cooperative Law which was promulgated on January 20, 1962, traditional fishermen's organizations were reformed into the modern fisheries cooperatives. And also the National Federation of Fisheries Cooperatives was established in the same year.

B. Objectives and Businesses

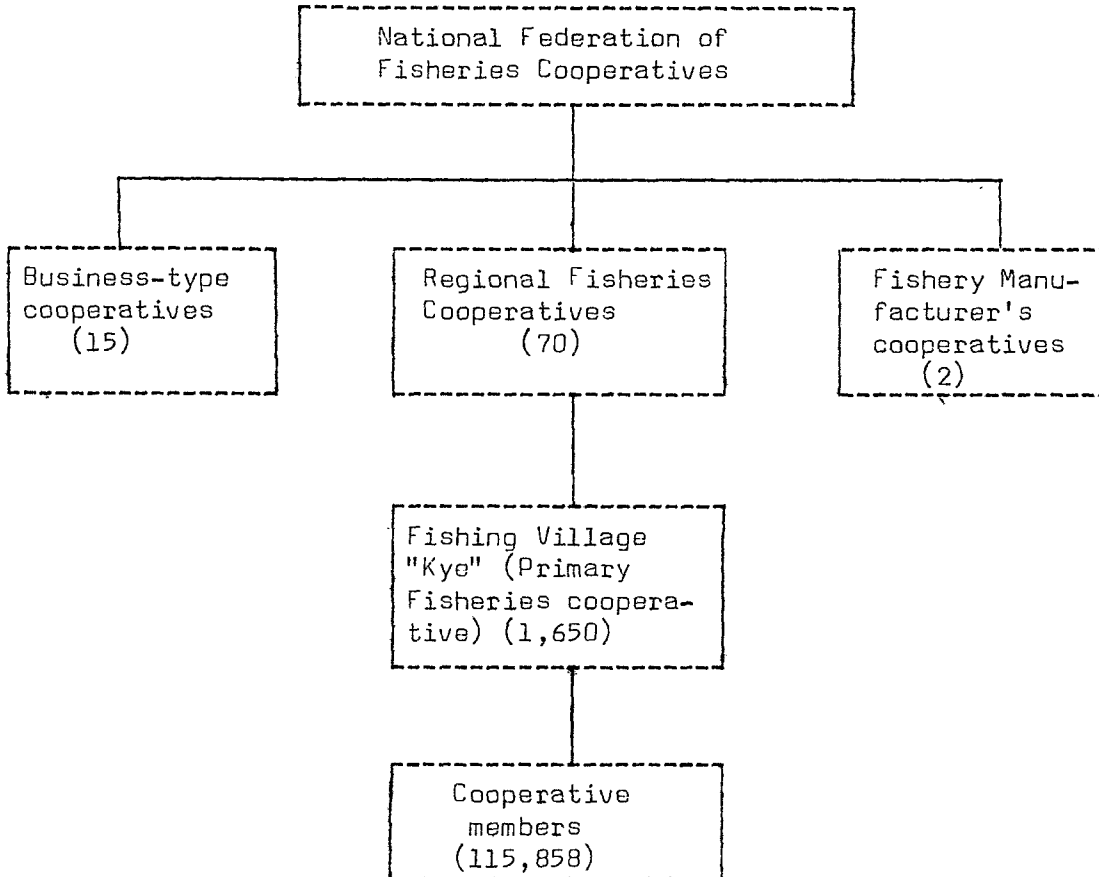
The objectives of fisheries cooperatives are 1) improvement of fishery productivity, 2) increase in fishermen' income, and 3) enhancement of economic and social status of fishermen.

In order to achieve these objectives, fisheries cooperatives conduct diversified business activities as follows:

- a. Guidance activities for fishermen
- b. Purchasing business
- c. Storage and marketing business
- d. Credit business
 - o Providing loan and receiving deposits
 - o Borrowing funds from the Federation and other banking institution
 - o Domestic exchange and safe keeping
- e. Utilization and processing business
- f. Mutual insurance business
- g. Welfare activities
- h. Joint business with the Federation or other cooperatives
- i. Business entrusted by the government or local autonomous organizations
- j. Other business deemed necessary in the achievement of objectives of cooperatives

C. Organizational Structure

As of the end of 1976



D. Apex Organization and its Businesses

As an apex organization of fisheries cooperatives, the National Federation of Fisheries cooperative was established at the national level. Its member organizations consist of business-type cooperatives, regional fisheries cooperatives and fishery manufacturer's cooperatives, The Federation conducts diversified businesses for its member cooperatives as follows:

- a. Guidance and adjustment of businesses conducted by member cooperatives.

- b. Research work and information service concerning the businesses of member cooperatives
- c. Training for executive officials and staff members of agricultural cooperatives
- d. Purchasing and marketing businesses for member cooperatives
- e. Banking and credit services
- f. Cooperative insurance business
- g. Business entrusted by the government, including inspection of fishery products
- h. Business subsidized by the government
- i. Foreign trade business concerning the above businesses
- j. Business for processing and joint utilization
- k. Transportation and communication businesses concerning fishery
- l. Other necessary businesses

2. Small Business Cooperatives

A. Brief History

As the organization of cooperatives for small business, small business cooperatives were organized by the promulgation of the Small Business Cooperatives Law (Law No.884) on December 27, 1961.

In 1962, inaugural conference of the Korea Federation of Small Business Cooperatives was held and established the Federation by the approval of the Minister of Commerce and Industry.

B. Objectives and Businesses

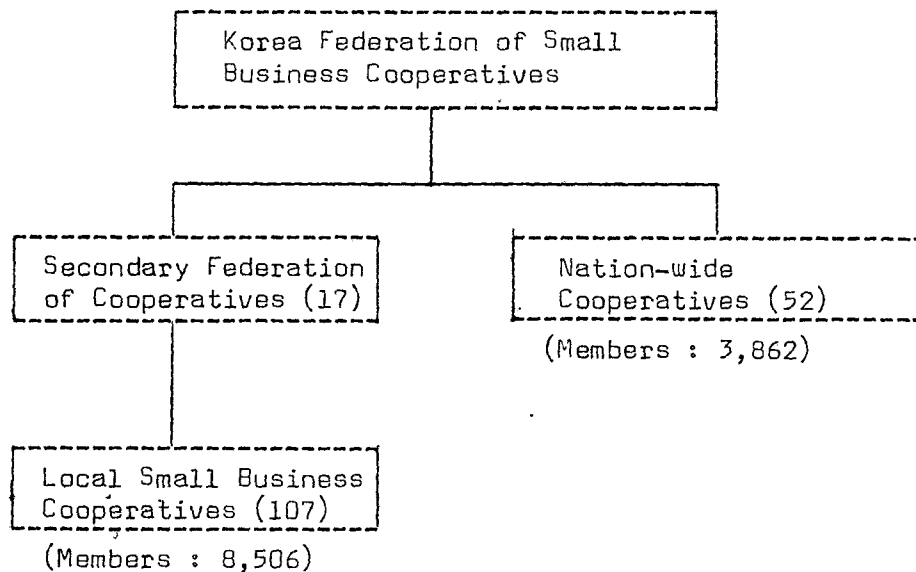
Small business cooperatives are organized among the small business with weak economic position. The objective of the cooperatives is to enhance their economic status through their cooperation and strong economic activities. Through the following roles, the small business cooperatives assure the improvement of status of small business and strengthening of competitive power.

Major functions and businesses of small business cooperatives can be illustrated as follows:

- a. Involvement in efforts such as producing, processing, order-receiving, selling, purchasing, transporting and servicing
- b. Creation and operation of industrial zoning and common facilities
- c. Planning and coordination of goals for members of the cooperatives
- d. Presenting a petition to the Ministry of Commerce and Industry in cases of infiltration by large businesses into the areas of production of the cooperatives
- e. Inspection and examination of the products of the members of the cooperatives
- f. Arrangement of loans for the purpose of financing the small industry of the members of the cooperatives
- g. Provision of technical guidance to members of the cooperatives
- h. Conclusion of collective contracts for members of the cooperatives
- i. Management of utilities for cooperatives
- j. Common improvement of market system
- k. Coordination of price and quality
- l. Protection of skilled engineers

Organizational Structure

(as of June, 1977)

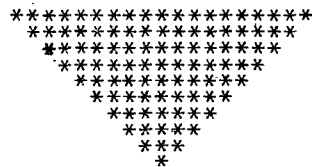


D. Apex Organization and its Businesses

As an apex organization of small business cooperatives, the Korea Federation of Small Business Cooperatives is organized at the national level. Its members are secondary federation of small business cooperatives and nation-wide cooperatives.

The business of the Federation are as follows:

- a. Guidance for organization and operation of affiliated cooperatives and federations
- b. Protection of rights and interests of members, and carrying out business for sound development of economy in coordination with the government
- c. Managerial and technical assistance to members
- d. Research work on small business and exchange of information
- e. Assessment or making arrangement of subsidy for members
- f. Borrowing fund for the purpose of business of the Federation
- g. Establishment and operation of training and information centre
- h. Joint business for members
- i. Trade business for members
- j. Creation and operation of joint facilities for members



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P A K I S T A N

**BACKGROUND PAPER ON THE CO-OPERATIVE
MOVEMENT IN PAKISTAN.**

Pakistan emerged in 1947. It covers an area of 3,11,400 square miles and its population is nearly 7 crores, with a density of about 200 persons per square mile. The population of Muslims is about 98 percent and literacy is about 15 percent. Pakistan chiefly produces wheat, cotton, sugar-cane, tobacco and pluses and the average annual rainfall is 15 inches.

The Co-operative Movement started with the dawn of the 20th Century in Pakistan basically as a credit-providing-agency for the farmers who were in a bad plight so much so that they used to be born in debt, live in debt and die in debt. The Movement, therefore, aimed at providing credit worthiness in them.

As compared to the European countries, the Co-operative approach in Pakistan was imposed by the Government as a practical measure to reduce rural indebtedness; to save the illiterate and simple minded tillers of the soil from the callous money-lenders, whose malpractices even resulted in serious repercussions towards the close of the 19th Century and to afford them an opportunity to stand on their own feet through self-help and mutual aid. The enactment of the Co-operative Credit Societies Act 1904 which provided for the organisation of credit societies on the Raiffeisen pattern was the first major step to start the Co-operative Movement in the country. Within a decade, need was felt

for enlarging the scope of cooperatives and the said Act was replaced by another legislation, namely, the Co-operative Societies Act 1912. Later on some of the Provinces enacted their own co-operative laws to suit their conditions. The Sind Co-operative Societies Act 1925 was enforced in the then Provinces of Sind and Khairpur State and the Bombay Co-operative Societies Act 1925 was applicable to the Karachi area. After the integration of the various administrative units of the then West Pakistan into a single Province in October 1955, the question of enforcing a unified co-operative Societies Act in the whole of the said wing engaged the attention of the Government. After considerable consideration, it was felt that the Sind Co-operative Societies Act 1925 was most comprehensive legislation and should, therefore, be applied to the then entire West Pakistan. Accordingly after making some amendments, the Sind Co-operative Societies Act 1925 was enforced throughout with effect from the 30th April, 1965, which is still ^{in force} enforced. The enforcement of this single Co-operative Societies Act proved to be a land-mark in the development of the Co-operative Movement in Pakistan.

Prior to the pivotal year 1947 when Pakistan secured independence, the Co-operative Movement in Pakistan had mainly progressed in the fields of credit both rural and urban, better farming, consolidation of holdings and thrift and savings societies etc. The total number of societies in that year was 15146 which had a membership of 5,73,000 and working capital of

Rs. 18,69,71,000/-. The general pattern was that there were village credit societies at the base, central co-operative banks at the tehsil or district levels and Provincial Co-operative Banks served as apex organisations. With the partition of the Indian Sub-Continent and the creation of Pakistan the non-muslim traders, bankers and industrialists left the country. This paralysed banking and trade and disrupted the commercial life of the then West Pakistan creating many economic problems of nation-wide magnitude. The Co-operative Movement then stepped forward to cover the hitherto unknown ground and spread itself into new fields of activities to fill the vacuum. The Central Co-operative Banks took up the financing of the trade and industry and even of directly running industrial undertakings such as rice husking mills, flour mills and cotton ginning factories. They also distributed articles of daily necessity. Besides that consumer stores, mills societies, multipurpose societies, farmer societies, tubewell societies and transport societies were organised in large numbers. The Co-operative Movement thus helped avert a difficult situation.

In early 1962, it was realised that the movement needed re-orientation and a fresh approach in view of the dictates of the new social order. That also demanded a change in the superstructure of the Co-operative Department which was charged with the responsibility of running the show and acted as a friend, philosopher and guide of the cooperatives.

The Registrar, Co-operative Societies and his field staff mainly performed the regulatory functions of registration, inspection and audit etc. of the societies and they were found so much absorbed and preoccupied in that work that they could not pay any attention to the planning and development of the movement. Consequently Co-operative Department was re-organised in 1962. The Office of the Registrar, called the Commissioner, was abolished and the West Pakistan was divided into six regions each headed by a Registrar for the performance of regulatory functions, directly working under the administrative control of the Secretary to the Government in the Co-operative Department. Side by side with that, a semi-autonomous organisation called the Co-operative Development Board was set up which was entrusted with the task of planning and development; directing and controlling co-operative ventures; providing advice and guidance for the implementation of new plans of the cooperatives and framing policies for the speedier and sound progress of the movement.

After the said Co-operative Board had functioned for about five years it was felt that the Board had not been in a position to make a solid contribution in the way of organising and developing co-operative societies and that the task of co-ordination among the Regional Registrars and the uniformity of procedure and policy between one Region and the other had become difficult.

Accordingly the Co-operative Board was abolished in the end of 1966 and the old set-up of the Co-operative Department was revived, with effect from 1st January, 1967

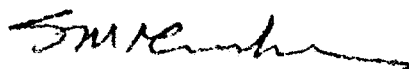
Now the Registrar, Co-operative Societies, head the Co-operative Department, in each Province, who is assisted by Joint Registrars, Chief Auditor and Sections Deputy Registrars etc. at the Headquarters and Deputy Registrars at the Divisional levels. The Assistant Registrars control the work of the Districts under whom Inspectors and Sub-Inspectors work at tehsil and sub-tehsil levels.

At present there is a net-work of 30,000 Co-operative Societies in Pakistan. They have a membership of 18,00,000., Share Capital of Rs. 16 crores and working capital of Rs. 146 crores. Considering the average size of a family at 5 it may be stated that the impact of the Co-operative Movement in Pakistan is on 90,00,000 persons in the country.

50 percent of the number of the societies i.e. 15,000 are that of Thrift and Credit, their membership is about 7,00,000 which have a share capital of Rs. 3 crores and working capital of Rs. 14 crores. Besides the Provincial Co-operative Banks the other main types of co-operative societies are that of co-operative supply and sale; co-operative farming; co-operative farm service societies and centres; project area societies; tube-well societies; non-agriculture societies; thrift and savings societies; co-operative stores; housing

societies; transport societies; industrial societies for men and women. The hitherto known Co-operative Banks have been dissolved with the enforcement of the Establishment of the Federal Bank for Cooperatives and Regulation of Co-operative Banking Ordinance promulgated on the 16th October, 1976 which was later on passed as an Act of the National Assembly of Pakistan. All the Co-operative Societies are dedicated to the realisation of their objectives.

The Co-operative Movement has the whole hearted support and guidance of the Government. The Government is convinced that the Co-operative Movement which represents a system of economic democracy has a great potential as an instrument of national advancement and, ~~has~~ therefore, gives its full support and assistance to the organisation and development of Co-operative Societies in all fields of economic activity. The Co-operative Movement has proved to be the most effective instrument of accelerating economic development and for improving the lot of the common man.



2/9/78

S I N G A P O R E

THE CO-OPERATIVE MOVEMENT OF SINGAPORE

I GENERAL ECONOMY

Singapore is a small compact country of 587.6 sq.km., including its 54 islets. The main island is about 41.84 km. in length and 22.53 km. in breadth, with a coastline of 133.6 km.

Singapore, situated at the southern end of the Straits of Malacca, lies in Asia's most crowded sea lane, and is a crossroads of the Indian and Pacific Oceans. Access to Peninsula Malaysia is by a 1,056 m. causeway which carries both a road and a railway.

At the end of June 1975, the population of Singapore was estimated at 2,249,900. The population density was 3,770 persons per sq.km. The ethnic composition of Singapore's population was 76.1% Chinese, 15.1% Malays, 6.9% Indian, Pakistanis and Sri Lankans, and 1.9% of other ethnic groups.

Originally, a small port and trading post, Singapore has diversified its economy into finance and manufacturing, which provides a catalyst for Singapore's dynamic economic growth although entrepot trade still remains a key contributor. Singapore does not have significant material resources, but it has a natural harbour, strategically situated at the cross-roads of the major travel routes and a determined breed of young and hardworking citizens.

By early 1960s, Singapore's economic structure had undergone a radical change as a result of the regional shift towards urbanization and industrialisation. The Economic Development Board was created in 1961 to promote industrial investments, develop and manage industrial estates, provide industry financing and technical consultancy services and conduct economic research. In 1970 Singapore embarked on a new phase of industrial development, with emphasis on higher technology and skills. Attention is constantly focussed on the modernisation and expansion of the infrastructure and further diversification of the economic base.

Today there are industries in metal fabrication and engineering, ship-building and repairing, petroleum refining, petro-chemical complex and plastics, electronic and electrical products, precision optical products, timber and woodworking, food and beverages, textiles and apparels. Besides the industries, tourism, shipping and services also play a major role in the economy.

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The Primary Production Department of the Ministry of National Development implements agricultural policies, provides the infrastructure for agricultural development, undertakes research in the primary industry and training of farmers and fishermen, and renders a wide range of services for them. It introduces and encourages intensive methods of production through maximum use of limited land resources at minimum production costs.

The intensive pig-farming project in Ponggol to resettle pig farms from the water catchment area and other areas affected by public projects has made rapid progress. 194 farms were resettled in the estate occupying a total area of 126.5 hectares and rearing about 67,500 pigs by end of 1976. Development of 236 hectares in Jalan Kayu under Phase II of the project was completed and ready to be allotted to resettlers in 1977.

Licensed farms numbered 15,022 in 1976, occupying 10,370 hectares or about 20% of Singapore's total land area. Mixed farming is the norm, often with pigs and poultry and vegetable crops constituting the main activities.

The bulk of the market vegetables are imported. In 1976, the local production of fresh vegetables amounted to 38,339 tonnes, meeting only 20% of local requirements.

Fish consumption in 1976 was 61,405 tonnes, of which more than 73% was imported from Peninsular Malaysia. Local catch amounted to 16,429 tonnes. There were 1,986 licensed inshore and offshore fishermen in 1976, of whom 63% were engaged in offshore fishing.

II THE CO-OPERATIVE MOVEMENT

Cooperation was introduced into Singapore by the Government after a study of the Cooperative Credit Movement in India, with the enactment of the first Cooperative Societies Ordinance in 1925. It was not so much the poverty of the country that was causing distress, but the lack of thrift and foresight to provide for contingencies on the part of the wage-earners. The majority of them got into the clutches of money-lenders and were heavily indebted to them. The solution of the problem was the introduction of Thrift & Loan Societies. This aspect of Cooperation still forms the bulk of the Movement in Singapore.

The Cooperative law in Singapore was first enacted in 1925, then known as the Straits Settlements Cooperative Societies Ordinance. In the same year, the Cooperative Societies Rules were also made to provide for the registration, management and working of Cooperative Societies.

Mr. A.Cavendish, Malayan Civil Service, was appointed as Registrar of Cooperative Societies, Straits Settlements & the Federated Malay States. Mr. A.Cavendish had his headquarters in Kuala Lumpur.

The Movement was by necessity closely controlled by the Cooperative Societies Department, acting through the Registrar and his Cooperative Officers. The Department was charged with the responsibilities of the promotion, supervision, registration and liquidation of Cooperative Societies in Singapore. The Department and its officers took the lead in guiding the new Societies, while the pioneer Cooperators were initiated into the fundamentals of the Movement and taught the principles of Cooperation. The assistance of the Department was given in the preparation of the books and forms and representatives of the Registrar also carried out the audit of the Societies. Apart from exempting Cooperative Societies from taxation and stamp duties by legislation, Government also provided facilities for payroll deductions of dues from its employees to Cooperative Thrift & loan Societies.

In 1929, Mr. C.Strickland, Indian Civil Service, who was previously Registrar of Cooperative Societies, Punjab, India, visited Singapore on the invitation of the Government, and made a study of the Movement. His report was published in 1929 and many of his recommendations were adopted.

During the Japanese occupation period, 1942-1945, all Singapore Cooperative Societies ceased to function, but after the Liberation most of the Societies commenced business again.

After the 2nd World War, Cooperation spread into the fields of Cooperative housing, banking, stores and insurance.

Meanwhile, the Cooperative Department began to identify itself with the rural dwellers of the Island State and fishermen of the neighbouring islands under its jurisdiction. This resulted in the formation of rural thrift and investment, credit, consumer, production, marketing and general purpose Societies.

Since the War, the Cooperative Movement in Singapore gradually gathered strength and made phenomenal progress. The most significant development of the Cooperative Movement in Singapore was that the Singapore National Trades Union Congress decided in 1969 to launch into Cooperative ventures as a strategy in its modernisation programme. As a result, the NTUC established several Cooperative Societies, viz. an Insurance Cooperative, a Transport Cooperative in 1970, a Dental Care Society in 1971, a Consumer's Cooperative in 1973 and a Book Cooperative in 1974. These continue to make tremendous progress.

In 1947, there were only 37 Cooperative Societies with a membership of 13,000 and a working capital of \$1,310,000/-. As at 1976, there were 78 Cooperatives with a membership of 100,627 and a paid-up capital of \$35.9 million. Statistics of Cooperative Societies as at 31.12.76 are as per Annexe.

III SECTORAL DEVELOPMENT OF THE MOVEMENT

(1) THRIFT & CREDIT COOPERATIVES

The Thrift & Credit Cooperatives are the pioneers and the back-bone of the Movement. A few of them have celebrated the Golden Jubilee of their formation. They are subdivided into 3 different groups according to the nature of their business:-

(a) THRIFT & LOAN SOCIETIES (totalling 28)

Members of the thrift and loan societies are allowed to borrow more than what they have in the societies on the condition that their loans are secured by 2 sureties who are also members.

(b) THRIFT & INVESTMENT SOCIETIES (totalling 10)

Members of these societies are mostly Malay dwellers along the coastal districts of Singapore and on the neighbouring islands. Such societies do not grant loans to members, but only allow withdrawal of deposits.

(c) THRIFT & CREDIT SOCIETIES (totalling 4)

A credit society caters only for fully secured loans up to 80% of a member's total subscription. Their members are most daily rated workers in urban areas.

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These societies continue to achieve steady progress. The membership strength at end of 1976 stood by 28,566 and the capital was \$23,284,453.51¢. Some thrift and credit societies provide consumer services to their members in addition tot their traditional activities.

In present days the thrift and loan or credit societies are facing serious problems in their attempts to compete with commercial banks in offering their members attractive and secure investment of small amounts of money while the existing Cooperative legislation limits the rate of dividend to 6% per annum.

Furthermore, the rate of interest on deposits and the investment of funds of Cooperative Societies are subject to some restrictions under the law, thus making Cooperative investments relatively secure but not very profitable. Some members feel that their interests as investors can no longer be promoted in an optimal way by their Cooperatives.

This state of affairs calls for coordinated joint action of all Co-operative Societies and for the expertise of professional bankers to advise on the management of the accumulated Cooperative funds.

(2) AGRICULTURAL COOPERATIVES

In the field of agricultural and fishermen's societies, such Cooperatives used to be encouraged and promoted by the Cooperative Development Division while it was under the Primary Production Department. The Registrar of Co-operative Societies is now mainly involved in liquidating inactive Societies of this type.

The present policy of the Primary Production Department is to promote farming and fishing activities in direct contact with the farmers and fishermen rather than through organised groups.

LIVESTOCK & AGRICULTURAL COOPERATIVE SOCIETY LTD.

This Society was sponsored by the Teachers' Multi-purpose Cooperative Society and registered on 10.9.74 with the objective of developing mechanised pig-farming, chicken farming, vegetable and fruit cultivation and producing animal feed.

The Society had 5 institutional members and 52 individual members. It originally leased a piece of land of 2.1 hectares in Ponggol from the Primary Production Department to start a commercial pig-farm, but the project had to be abandoned due to lack of financial resources and managerial expertise. On the advice of the Registrar, it has decided to explore the possibility of going into other projects. Presently it is looking into the possibility of establishing an orchid farm on land belonging to the Mandai Zoological Gardens.

(3) CONSUMER COOPERATIVES

The first attempt to start a Consumer Cooperative Movement in Singapore was after the 2nd World War, when a group of lawyers, university lecturers and school teachers got together to organise what was known as the Singapore Cooperative Stores Society Ltd. This Society was registered in 1947 at a time when blackmarket was flourishing, but with the arrival of most essential articles in plentiful supply, the loyalty of members sagged and the Society had to be liquidated.

Other attempts at consumer Cooperation followed with the formation of the Pulau Bukom Cooperative Stores Society Ltd. at the same time, the Singapore Mental Hospital Cooperative Stores Society Ltd. in 1950, the Singapore Public Services Cooperative Stores Society Ltd. in 1958 and others. All these Consumer Societies had not succeeded for various reasons - from lack of support and Cooperation from the general membership, poor and ineffective management, difficulties in the maintenance of stock control and the keen competition of the retail shops.

With the launching of the NTUC WELCOME CONSUMERS' COOPERATIVE LTD. in July 1973, a Consumer Cooperative Movement has again been established in Singapore.

There were 10 Consumer Cooperative Societies with 70 institutional members, 19,039 individual members and a share and subscription capital of \$2,573,000/- as at 31.12.76. Except for the NTUC Welcome Consumer Cooperative Ltd. and a few larger Societies with bigger capital and membership, most of these Consumer Cooperatives are small primary Societies. They are in fact nothing more than sundry shops Societies catering for provisions and mechanical goods.

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(4) HOUSING/LAND PURCHASE COOPERATIVES

There are 3 housing Cooperatives and 3 land purchase Cooperatives. They undertake housing projects for the benefit of their members and provide loan to enable members to purchase houses or land for personal use.

(i) THE SINGAPORE GOVERNMENT OFFICERS' COOPERATIVE HOUSING SOCIETY LTD.- registered in December 1948, has so far developed 6 housing estate projects, totalling 1,180 units. In addition 1,500 units of houses were bought from private developers and sold to members at cost price. Apart from the savings of members and loans from other Cooperative Societies, this Society is financed on long term loan from Government. The loan given by Government between 1952 to 1960 is \$6.9 million.

(ii) THE SINGAPORE COOPERATIVE HOUSING SOCIETY LTD. was registered in June 1956 with the objective of assisting non-Government employees to own houses. It assists members with loans to own houses. It has also acquired a piece of land at Yew Siang Road for erection of houses, but the project could not be proceeded with due to lack of fund.

(iii) THE SINGAPORE NATIONAL COOPERATIVE HOUSING SOCIETY LTD., registered in June 1964, catered mainly for Malay members. It has assisted members with loans to build houses.

There is no progress in the 3 land purchase Societies.

(5) INDUSTRIAL COOPERATIVES

THE SHOEMAKERS' COOPERATIVE INDUSTRIAL SOCIETY(S) LTD. was started in 1968 by 19 ex-political detainees with a loan of \$250,000/- from the Development Bank of Singapore to engage in the production of footwear. The Society employs 52 staff. It has increased its market at home and abroad. Its products are exported to Australia, New Zealand, Saudi Arabia, Kuwait, Zambia, and Denmark. It has contracts with the Ministry of Defence, Ministry of Health, the Singapore Police Force, Singapore Airlines and many schools.

(6) SCHOOL COOPERATIVES

(i) THE ST. JOSEPH'S INSTITUTION COOPERATIVE SOCIETY LTD. - registered on 21.8.74. This is the first school Cooperative in Singapore. It is run by a 9-men Committee elected among the students under the guidance and supervision

of a teacher-adviser. It deals mainly in stationery and other basic needs of students. Tours and excursions are also organised during school holidays. The membership as at 31.3.76 stood at 625. It made a profit of \$4,938.51¢ for the year ended 31.3.76.

(ii) THE CATHOLIC JUNIOR COLLEGE COOPERATIVE SOCIETY LTD. - registered on 15.9.76. The Society commenced business on 2.1.77. The turnover for the first 4 months of operations amounted to \$24,163.95¢. It has a membership of 129 and a paid-up capital of \$2,990/-.

(iii) The Consumers Association of Singapore has drawn up a blue print to launch a chain of school Cooperatives in the Republic. Initially the scheme will be launched as a pilot project in 6 secondary schools.

(7) MULTI-PURPOSE COOPERATIVES

The Ministry of Defence (U.K.) Civilian Staff Multi-purpose Cooperative Society Ltd., was the first such Society to be registered in Singapore on 2.1.71. The Society was converted from an existing Thrift & Loan Society, which was one of 8 Cooperative Thrift & Loan Societies in the British Defence Services. Due to the withdrawal of the British Military Forces, the Society had to be liquidated.

Since then other multi-purpose societies began to be formed. Today there are 9 multi-purpose Societies in Singapore. Three of these were converted from existing Thrift & Loan Societies to diversify their activities and to provide consumer services to their members. Two of them were set up by the giant Trade Unions, the Singapore Industrial Labour Organisation and the Pioneer Industries Employees Union, and they have set up a series of mini-supermarkets to serve their members. Two were established for employees of the ship-building industry, one by the Nanyang University by the staff and students, and the latest multi-purpose Society was registered on 17.1.76 by members of the Japanese community in Singapore to assist them to adapt themselves to local conditions and to operate transport services for their children.

(8) COOPERATIVE BANKS

(i) THE SINGAPORE COOPERATIVE BANK was organised by the Singapore Co-operative Union and registered on 23.10.57 with the object of being a central source of credit for the Cooperative Movement. It was de-registered on 9.5.68 under very unfortunate circumstances. The reasons given by the Registrar's

office was that it did little in its ten years of existence to encourage the Movement and that it failed in its objective for facilitating financial operations to registered Cooperative Societies, or act as a control Board of credit for the Movement. What should have been done by the Registrar was to offer guidance, direction and assistance to ensure the Bank performed its appropriate functions for the Movement.

(ii) THE SINGAPORE MALAYS COOPERATIVE BANKING UNION LTD. is now the only banking Cooperative in Singapore. It has 11 institutional members with a share capital of \$31,300/-. It provides credit facilities to members, but could not extend its scope of activities to cover the normal business of a commercial bank owing to lack of full-time personnel with the necessary credit.

(9) COOPERATIVE SOCIETIES SET UP BY THE NATIONAL TRADE UNION CONGRESS (NTUC)

The NTUC Cooperatives have adopted a peculiar organisational structure which provides for a Board of Trustees and a Board of Directors for each Cooperative, with generally a Minister as Chairman of the Board of Trustees.

The Constitution of the NTUC Cooperatives provides for ultimate control of all affairs of the Society in the hands of the NTUC and its affiliated Trade Unions, who are institutional members and shareholders in all these Cooperatives.

The Bye-laws are made in a way to ensure that the founder member (NTUC) and the life trustees are the real decision makers, and the voting powers are allotted to institutional members in proportion to share capital contribution. The majority of the officers of the NTUC Cooperatives are appointed by the trustees and the founder member and only a minority is elected by the individual members.

The Cooperatives of the NTUC are registered under the Cooperative Societies Act through exemption from the provisions of the Cooperative law by the Minister.

(i) THE COOPERATIVE INSURANCE COMMONWEALTH ENTERPRISE LTD.(INCOME) registered on 29.5.70.

INCOME commenced business on 21.11.70 with \$1.5 million in capital contribution from Trade Unions and Cooperative.

Mr. Sten Skott, an employee of FOLKSAM for more than 40 years, was assigned to Singapore through the ILO in 1970 as an adviser of INCOME.

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At the end of 1976, 33,080 ordinary life policies were in force for sums totalling \$181.17 million. Currently of all life policies issued in Singapore, one in 3 belongs to INCOME.

The Second Statutory Actuarial Valuation of the liabilities under INCOME policies carried out as at 31.12.76 disclosed a surplus of \$5.85 million, reflecting the sound financial position of INCOME.

There are plans to insure all 230,000 unionised workers within the next few years.

(ii) THE WORKERS' COOPERATIVE COMMONWEALTH FOR TRANSPORT LTD.(COMFORT) - registered in December 1970.

COMFORT went into operation in 1970 to provide transport service for children to and from schools and express charter service for office workers.

Mr. Shalimo Goldin was sent to Singapore by the Histadrut to help organise COMFORT in 1970. The Government also provided COMFORT with a low interest loan of \$11.2 million at World Bank rates to finance the purchase, at a satisfactory discount, of taxis and mini-buses.

Under a Cooperative savings scheme, the taxi drivers will come into full ownership of their vehicles in 3 years' time and the mini-bus drivers will do so in 5 years.

COMFORT has a vehicular strength of 2,378, comprising of 2,000 taxis, 350 mini-buses and 28 shuttle buses as at 31.12.76.

COMFORT took over the management and organisation of the airport service from 1.5.76.

In January 1977, the NTUC COMFORT Workshop Pte. Ltd. was set up to enable the operators to reduce their operational costs by making available cheaper and genuine spare-parts, a shorter laid-up time and also a competent and reliable service.

Recently a loan of \$8.25 million was secured from the Post Office Savings Bank to purchase an additional fleet of 400 new taxis.

(iii) THE NTUC COOPERATIVE DENTAL CARE SOCIETY LTD. (DENTICARE) - registered on 30.8.71.

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The aim of the Cooperative is to provide treatment to Union members and their families at very reasonable prices. The Society was started with a share capital of \$109,500/- subscribed by the NTUC and 11 Trade Unions. Two Denticare units were set up - one at Trade Union House, Shenton Way, and the other in Corporation Drive, Jurong, but at the end of 1974, DENTICARE decided to close down the clinic in Jurong. A full-time Dental Officer was appointed on a profit sharing basis.

Trade Unions continue to support the Society by negotiating for dental benefits to be included as part of the general fringe benefits for workers.

(iv) THE NTUC CONSUMERS COOPERATIVE LTD. (WELCOME) - registered on 14.3.73.

The Society was established by the NTUC in 1973, during the period of world-wide inflation. Its main objective is to combat rising prices, particularly of daily necessities.

The first WELCOME supermarket at Toa Payoh was officially declared open by the Prime Minister on 22.7.73. Altogether 10 supermarkets have been established, and they are located at Toa Payoh, Bukit Ho Swee, Serangoon Gardens, Peace Centre, Marine Parade, Kallang Bahru, Tanjong Pagar, Queenstown, Rochore and Buona Vista. Another 7 will be set up by the end of 1979.

On 30.6.77 the paid-up capital was \$2,230,510/-. Today the Society has 43 institutional members and an individual membership exceeding 20,000.

The sales turnover in 1977 was \$30,308,446/- and the profit available for appropriation was \$1,360,472/-.

For the past 4 years, the Cooperative had declared annually a 6% dividend and a 5% rebate on all purchases by members.

WELCOME had received a licence from the Department of Trade for importing rice from August 1976. It aims to import one-third of Singapore's rice need.

An Import Division was established on 1.7.77 to import consumer goods directly from overseas manufacturers, processors and suppliers.

WELCOME also markets its own brand of essential commodities such as $\frac{3}{4}$ cooking oil, detergents, sauce, milk powder, so as to make them available at the lowest possible price to consumers.

In January 1977 WELCOME negotiated with the Singapore Provision Shop Friendly Association to set up "Fair Price Shops" to sell necessities such as rice, cooking oil, detergents, milk powder and bee hoon. The scheme enables provision shops to participate in consignment-type agreement with NTUC WELCOME for essential commodities, especially NTUC WELCOME brands. The object is to stabilise the prices of such necessities. To date there are 364 Fair Price Shops, with continuous recruitment taking place.

(v) THE NTUC FAIRDEAL BOOK COOPERATIVE LTD. - registered on 18.11.74.

Fairdeal started with a working capital of \$300,000/- obtained from the NTUC. It commenced business in December 1974 with a Central Book Shop at Toa Payoh. The Queenstown Branch was set up in February 1977.

The Cooperative now services 27 schools and retails stationery, books and other items to the public. The discount offered has been further increased from 10% to 15%. It curbed profiteering and since its inception on 18.11.74 to 21.3.76, it made a profit of \$68,050/-.

IV IDEOLOGICAL APEX ORGANISATION

THE SINGAPORE NATIONAL COOPERATIVE UNION LTD. (SNCU)

Due to the peculiar way in which the Movement was introduced in 1925, it gathered root in the urban areas amongst the English speaking sector of the population. The Cooperative Societies in Singapore began to flourish and by 1933 the need for a coordinating body was realised and 12 Cooperative Thrift & Loan Societies formed the Singapore Urban Cooperative Union Ltd., the word "urban" giving an indication of its sphere of activities. However, after the War, when Cooperation spread to the rural areas and to other fields of Cooperation, the need for an integrated coordinating body for the Movement in both the urban and rural areas became apparent. Thus in 1953, the Singapore Cooperative Union dropped the word "urban" from its name. In 1972, amendments were made to the Cooperative Union's Bye-laws to provide scope for expanding its objects and functions, besides renaming it, as the Singapore National Cooperative Union Ltd., as an indication of it being a National Cooperative Body.

The objects of the Union are briefly to propagate the principles and practice of Cooperation, to advise and assist affiliate Societies to coordinate their activities and to represent the Movement in Singapore and abroad.

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The Union has 23 affiliated Societies.

In 1958 the Union became affiliated with the ICA and with the setting up of the ICA Regional Office & Education Centre for South-East Asia, the Union is represented on the ICA Council for South-East Asia as well as the ICA Sub-Committee for Agriculture & Trade. It is also represented on the Board of Advisers of IDACA.

The Singapore National Cooperative Union maintains friendly relations not only with the Cooperative National Organisations of the 14 countries serviced by the ICA Regional Office, but also with other Cooperative Organisations outside the Region.

With the recent setting up of the Asean Cooperative Organisation, the Union is also represented in the Council of ACO.

The Cooperative Union has advocated the need for collaboration between the Trade Union Movement and the Cooperative Movement for the ultimate benefit of the working class. It is for this reason that Cooperative Societies affiliated to the Cooperative Union have invested in the shares of INCOME, WELCOME and FAIRDEAL. The Cooperative Union is also represented on the Board of Trustees and the Board of Directors of WELCOME as well as on the Board of Trustees of FAIRDEAL.

In furtherance of its objects, the Union performs various functions and have set up the following Select Committees to cater for the diverse activities of the Union:-

- (1) Selection Committee.
- (2) Cooperative Development & Legislation Committee.
- (3) Publicity & Information Committee.
- (4) Education & Training Committee.
- (5) Social & Recreation Committee.

In line with the Government's Policy of encouraging Cooperatives to take an active part in social community project, apart from their economic roles, the Union has also set up a Community Project Working Committee for the purpose of establishing and running a Home for the Aged.

V EDUCATION, PROPAGANDA & INFORMATION ACTIVITIES UNDERTAKEN BY THE UNION

As Cooperative education is vital to the very existence of the Cooperative Movement, the Cooperative Union has always endeavoured to promote Cooperative education and training for its membership and leadership.

With this object in view, the Cooperative Union had, in the past, consistently sent officials and members of its affiliates for Committee Members & Auditors' Courses at the Cooperative College in Malaysia, and also sent delegates to the All Malayan Cooperative Conferences held periodically.

Since 1960 and throughout the years, the Cooperative Union has availed itself of the opportunity to send participants to the many seminars, conferences and workshops organised by the ICA Regional Office & Education Centre in New Delhi in various countries in the Region. It has also continually sent participants to the Annual Courses of the International Institute for Development, Cooperative & Labour Studies in Tel Aviv, Israel, to the International Cooperative Seminars organised by the Swedish Cooperative Centre in Sweden, and to courses of the Cooperative Consumer Union of the German Democratic Republic at the International Cooperative College at Dresden.

In 1961 the Cooperative Union organised the First Singapore Cooperative Conference. In collaboration with the ICA Regional Office & Education Centre, the Union had also organised the following:-

- (a) In 1963, a Regional Seminar on Cooperative Member Education.
- (b) In 1967, a Regional Seminar on Cooperative Training.
- (c) In 1970, a National Seminar on Cooperative Management.
- (d) In 1972, 2 Cooperative Educational Courses for ordinary and Committee Members.
- (e) In 1972, a National Seminar on Member Education on Consumer Cooperation, and a National Seminar on Expansion of Cooperative Services to Member.
- (f) In 1974, a Workshop on Operations of Consumer Services.
- (g) In 1977, the 4th Open Asian Conference on Cooperative Management.

In 1972, the Union obtained the services of Dr. Dharm Vir, Joint Director (Education) from the ICA Regional Office & Education Centre for a period 2 months to study the problems and educational needs of Cooperative Societies, to assist these Societies in planning and carrying out educational programmes and also to conduct the 2 National Seminars as stated above.

As one of its functions is to disseminate Cooperative news and information, the Cooperative Union had in 1961/64 published a monthly newsletter, named the "Co-op Recorder" in English and the National Language.

Other newsletters were published periodically and in December 1974, in association with the Cooperative Registry, a joint news/bulletin named the "Cooperator" has been published by the Cooperative Union. The "Cooperator" is issued as a quarterly publication.

VI PRESENT ARRANGEMENT FOR INCREASING MANAGEMENT EFFICIENCY & PROBLEMS IN MANPOWER DEVELOPMENT

In nearly all Cooperative Societies in Singapore, the tasks of policy making and management are in the hands of honorary Committees and voluntary workers, who use their spare time after office hours to manage the affairs of the Societies.

The full-time staff employed by the Societies has purely clerical functions without authority to take decisions in day-to-day management.

Where Societies have reached a certain size and the business transactions have become more complex, the honorary leadership is no more sufficient to cope with the managerial problems of such Cooperatives. In this type of Cooperative enterprise, the non-professional chairman, secretary or treasurer, who have their full-time jobs elsewhere and who attend to the Cooperative business only during evening hours, have to be assisted by a trained manager whose main job is to run the Cooperative enterprise.

It could be argued that many Societies cannot afford to pay the salary of such full-time manager; however, for the members' promotion this investment may very soon prove a good one, and furthermore, the sum required would not be much higher than the total of all the allowances and honoraria paid at present to a relatively large number of Committee-men and officers.

So far only very few Societies have taken the necessary steps to employ full-time managerial personnel. Where this has been done (e.g. in the Jurong Shipyard Cooperative Store Society and all NTUC Cooperatives), it has proved to be very successful. Yet, the traditional concept of honorary management Committees being still widely considered to be a necessary feature of genuine Cooperative practice, so far has prevented many Societies from employing full-time managerial staff.

But even if some Societies decided to recruit full-time managerial staff, there would be the difficulty of finding the necessary cadre of trained personnel. It is therefore a matter of great urgency to train managerial staff for Societies at all level, and this could best be done by establishing a Cooperative Training Centre as soon as possible.

Apart from this question of employment of managerial staff, some of the management problems of the Societies could also be solved if an Apex Organisation is formed, which will be in a position of offer advisory services to assist the non-professional part-time officers in the exercise of their duties, by giving information and guidance, or by taking charge of all such matters that require the expertise of a professional. Here also, the problem of training staff of the right calibre for the Apex Organisation could be solved by the proposed Training Centre.

VII EDUCATION, PROPAGANDA & INFORMATION ACTIVITIES UNDERTAKEN BY THE GOVERNMENT

According to the concept of the last several years, the Registry was conceived as an agency to administer existing Cooperative Societies, but not to promote Cooperative development.

During the past years, no regular training courses were organised in Singapore for staff of the Registry or for officers and employees of Cooperative Societies. Consequently, there is a shortage of trained personnel in Cooperative Societies and the Registry is unable to provide the necessary technical guidance due to the lack of trained staff in the Registry.

In April 1975, the UNDP approved a project of technical assistance under its Country Programme for 1976-78 to provide an expert to assist in the establishment of a Cooperative Training Centre. Provision has been made for 5 short-termed fellowship to be awarded to the executive staff of the Registry to undergo training in the Cooperative field between 1975-77. As a result the Registrar and his two assistants have been sent overseas for Cooperative Education and training courses.

Cooperative study tours are organised occasionally by the Registry for students and their teachers to give them a first-hand knowledge on how successful Cooperatives are being run.

In its efforts to promote Cooperatives, the Registry has published the following pamphlets:-

- (1) Guide to Formation of Cooperatives.
- (2) What you should know about meetings.
- (3) Auditing - Internal Control System for Cooperatives.

Apart from its Annual Reports, the Registry has also published a souvenir journal "50 years of Cooperation" to commemorate the golden jubilee of the Singapore Cooperative Movement.

The Registry has conducted a Basic Book-keeping Course between 24.9.76 to 12.11.76, a similar Book-keeping Course in Malay between 25.3.77 to 29.4.77, a Basic Audit Course for Internal Auditors between September/October 1977 and a Cooperative Management Course on 29.5.78, 31.5.78 and 2.6.78.

The Registry advised recently 14 groups of persons who were interested to set up Cooperatives in Singapore. Four new Cooperatives were set up as a result of these discussions.

VIII GOVERNMENT POLICIES RE: COOPERATIVES

It appears that for some years promotion of Cooperative development was considered by the Singapore Government as a matter of relatively low priority.

During that period the Cooperatives were left alone to develop under their own leadership and to find their own way. Some Societies have done this with remarkable success; however, for many of the weaker Societies, the lack of Government sponsorship, guidance and control has created serious difficulties leading to stagnation or even liquidation in many cases.

There was a period of unplanned, uncoordinated development, and the tasks of member education and training of Cooperative staff which are vital for solid Cooperative growth, have been neglected.

In its present structure the Registry of Cooperative Societies is an institution equipped for administrative control of Cooperatives only. In this respect the change in recent years from a Cooperative Development Division into a Registry of Cooperative Societies had been a step backwards.

During the last 4 years, however, the Singapore Government has taken more and more interest in Cooperative development, and a series of measures are being taken or proposed to strengthen the Cooperative Movement, viz:-

- (a) The revision of the Cooperative Societies Act.
- (b) The reorganisation of the Cooperative Registry into a Cooperative Development Department.
- (c) The setting up of a Cooperative Training Institute or Centre.
- (d) The establishment of a Central Cooperative Fund.
- (e) The formation of an Apex Organisation to provide leadership for the Cooperative Movement.

Dr. J.Von Muralt, an ILO Cooperative Technical Officer, stationed at Bangkok, was assigned to the Ministry of Social Affairs from 2.4.73 to 19.4.73 to advise the Singapore Government on Cooperative development, with particular emphasis on the revision of the Cooperative Law and the reorganisation of the Cooperative Registry.

As a result of Dr. Muralt's recommendations, Professor Hans Munkner of the University of Marburg was sent by the ILO to Singapore in July 1974 for a period of 2 months to study the Cooperative Movement and to help redraft the Cooperative Law. Professor Munkner returned to Singapore in February and March 1975 to complete his mission, i.e. to prepare the draft Bill of the Cooperative Societies Act.

On 28.1.76, the SNCU formally submitted its comments on the draft Cooperative Societies Bill. The NTUC, however, rejected the draft Bill as it was felt that the draft did not pay sufficient attention to the NTUC's type of Cooperatives, and called on the Government to set up a Special Committee to draw up a new draft Cooperative Societies Bill. In May 1977, the Government set up an Ad Hoc Committee to consider the objections to many provisions in the draft Cooperative Societies Bill by the NTUC & SNCU, and particularly to consider whether the Cooperatives set up by the Trade Unions should be regarded as part and parcel of the Cooperative Movement or should they be subject to special form of treatment in the Bill. The Committee has since submitted its recommendations to the Government.

The Cooperative Registry has been reorganised into 2 sections - an audit and inspection section and an administrative, promotion and training section, which came into operation with effect in December 1975. The Registrar was also appointed Registrar of Mutual Benefit Organisations as from 1.3.77 and recently he was also made Registrar of pawnshops.

It was proposed that a Cooperative Training Centre should be established as soon as possible with Governmental and international assistance to train staff from Cooperative Societies and officers of the Cooperative Department. The training centre will be initially managed by the Cooperative Department, but ultimately it will be under the charge of the Apex Organisation when formed.

On 25.3.75, the Registrar convened a Cooperative convention of representatives from all Cooperative Societies for the purpose of the formation of an Apex Organisation for all Cooperatives in Singapore. Representatives from 43 Societies attended the convention. Only the representatives from 2 Societies of the NTUC group were present. The draft constitution of the proposed Apex Organisation was tabled for discussion, but it was decided to defer consideration of the draft constitution until relevant details of the new Cooperative law were made known. An Ad Hoc Committee was elected to study the draft constitution in due course. It was agreed that the Registrar would convene the first meeting of the Ad Hoc Committee as soon as the revised Cooperative legislation was finalised.

To provide a solid financial basis for the Apex Organisation, it has been proposed that a Central Cooperative Fund administered jointly by the Cooperative Development Department and the Apex Organisation should be created under the new Cooperative law and it will be a statutory requirement for all registered Cooperative Societies to contribute a certain proportion (e.g. 5%) of their annual surplus to this fund. It is recommended that a grant from the Liquidation Account under the charge of the Registrar be given to the Central Cooperative Fund. This Fund will enable the Apex Organisation to employ professional staff and to purchase modern equipment to provide services at costs which individual Societies otherwise cannot afford.

IX PROBLEMS FACED BY THE MOVEMENT

The present structure of the Cooperative Movement in Singapore is a very heterogeneous one.

The fact that a relatively large number of registered Societies have become ineffective and are in the process of being wound up, is a sign of inadequate promotional, advisory and educational services over an extended period of time.

There are various reasons for the lack of a superstructure of secondary Cooperative Societies in Singapore. The present situation may have resulted, among other things, from the relative weakness of SNCU with its honorary, non-professional leaders, who have not undertaken or managed to generate permanent joint action and organised Cooperation among Cooperatives at secondary or apex levels. On the other hand, it is certainly also due to the fact that many thrift and loan or credit Societies have been until now relatively self-sufficient. Moreover, many primary Societies are closely linked to one employer or to one Government service, and do not feel a need to organise joint operations with other Societies, which in some cases also would not be in the interest of the employer.

According to the existing Cooperative law, the Registrar of Cooperative Societies has to supervise the investment of funds. As a non-banker, the Registrar is in a very difficult position to guide Cooperative Societies by allowing or disallowing investments.

Several of the thrift and loan Societies have started to open consumers' stores for their members. There is no coordinated action of the various Cooperative consumers' stores and many opportunities to strengthen their position as a buyer vis-a-vis the wholesale dealers remain unused.

Many schools have shown interest to organise school Cooperatives, but the Registrar and his staff are unable to secure adequate guidance and supervision of such new Societies in addition to their normal duties.

The present social and economic situation in Singapore calls for a diversification of Cooperative Societies; however, at a period of rapid growth safeguards should be taken to ensure a development in the desired direction. In this context it would be of great importance to have a planning unit within the Cooperative Development Department to work together with a new Apex Organisation.

X CONCLUSION

Efforts should be made both from the Government and from the Movement side to bring about a more fruitful collaboration between the "old" and "new" Societies.

In the Singapore context it should be envisaged to plan Cooperative development in the form of an integrated system under one central organisation where the tasks of planning, deployment of funds, management, accounting, etc. should be distributed among the member units of the system and should be executed by those member units which could do this with best expertise and at minimum cost.

The Cooperative Societies in Singapore can be subdivided into 3 major groups:-

- (1) Those affiliated to SNCU (23).
- (2) Those belonging to the "old" Cooperative Movement which are not affiliated to SNCU (48).
- (3) Those belonging to NTUC (7).

The Societies affiliated to SNCU are mainly thrift and loan or credit Societies. In the group of non-affiliated Societies there is no organised collaboration. The NTUC group is acting as a disciplined group under the NTUC. They have developed a peculiar organisational structure and have carried the special rights of institutional members to an extreme so that the internal democratic structure of such Cooperative Societies practically ceases to exist.

The problem is how to get the 3 groups of Societies to come together under an Apex Organisation. The future affiliation of the NTUC group particularly will depend on the attitude of the leaders and of the Central Committee of the NTUC towards such an Apex Organisation.

S.No. 113/11/78.

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STATISTICS OF CO-OPERATIVE SOCIETIES IN THE REPUBLIC OF SINGAPORE

AS AT 31ST DECEMBER, 1976.

Types of Societies	Number of Societies	Membership		LIABILITIES						ASSETS					
		Institutional	Personal	Shares and Subscription Capital \$	Deposits \$	Reserves		Borrowings \$	Total \$	Fixed Assets \$	Investments		Current Assets \$	Loans Outstanding \$	Total \$
						Statutory Reserves \$	Other Reserves \$				Long Term Investments \$	Short Term Investments \$			
Thrift and Credit	42	—	28,566	23,284,453.51	1,928,546.62	2,617,811.04	2,271,139.72	506,632.96	30,608,583.87	336,235.97	2,215,416.12	10,562,062.57	2,018,567.80	15,476,301.41	30,608,583.87
Consumer	10	70	19,039	2,573,070.65	6,044.15	646,943.33	712,050.23	6,455,382.30	10,393,490.66	3,324,322.05	600.00	2,192,768.00	4,772,800.61	103,000.00	10,393,490.66
Multi-purpose	9	17	12,296	6,300,815.33	1,236,157.38	475,355.21	678,734.22	3,820,015.58	12,711,067.72	904,377.17	350,428.00	2,816,147.96	2,990,590.67	5,649,523.92	12,711,067.72
Housing	3	—	4,702	1,208,225.22	2,125,558.18	441,903.20	722,708.37	10,122,092.45	14,620,487.37	2,011,901.70	11,110.00	366,349.15	4,684,619.05	7,546,507.47	14,620,487.37
Land Purchase	3	—	193	38,115.00	—	5,960.30	31,855.16	8,663.73	84,594.19	321.85	1,000.00	58,008.55	15,922.53	9,341.26	84,594.19
Transport	1	17	2,301	566,300.00	4,721,422.00	973,776.00	3,384,476.00	6,872,167.00	16,518,143.00	44,462.00	297,745.00	7,700,000.00	8,289,948.00	185,988.00	16,518,143.00
Producer	2	5	71	182,700.00	—	77,199.74	295,865.09	320,376.00	876,140.83	82,022.00	—	172,000.00	622,118.83	—	876,140.83
Insurance	1	38	32,825	1,564,800.00	—	—	18,951,070.00	1,377,519.00	21,893,389.00	4,411,373.00	5,337,543.00	9,310,000.00	1,793,136.00	1,041,337.00	21,893,389.00
Medical	1	11	—	124,000.00	—	—	—	27.00	124,027.00	25,619.86	—	55,000.00	43,407.14	—	124,027.00
Banking	1	11	—	31,300.00	—	23,283.15	40,604.12	132,854.30	228,041.57	585.72	—	65,000.00	68,031.64	94,424.21	228,041.57
Service	2	—	78	24,150.96	—	788.97	2,021.91	97.95	27,059.79	608.00	260.00	4,000.00	22,191.79	—	27,059.79
School Co-operative	2	—	416	6,837.73	801.50	1,234.62	202.50	9,485.28	18,561.63	1,946.65	—	8,369.62	8,245.36	—	18,561.63
Union	1	21	—	—	—	—	27,659.01	—	27,659.01	120.00	—	16,850.00	10,889.01	—	27,659.01
TOTAL	78	190	100,487	35,904,768.40	10,018,529.78	5,264,255.56	27,318,378.33	29,625,313.57	108,131,245.64	11,143,895.97	8,214,102.12	33,326,555.85	25,340,268.43	30,106,423.27	108,131,245.64

Note: The above statistics are based on last known figures available to this Registry.

74/9/78

S R I L A N K A

THE COOPERATIVE MOVEMENT OF SRI LANKA

Sri Lanka is a developing third world country, whose development is based on an Agricultural Economy. Of the developing countries it is prominent as a supplier of Agricultural raw material. Surrounded on all sides by the sea, with an area of 25,000 square miles the physical structure of our island is suited mainly for Agricultural activities. It is a tropical island. Its central hill country is surrounded by low lying valleys and plains. Up to date our population is about 14 million of which 70% are Sinhalese and the balance including other races.

The Agriculture in Sri Lanka is two fold. The consumer agriculture and industrial and export agriculture. Of the consumer agriculture the most important is Paddy cultivation. A few export crops too has gained importance. The hill country as well as fertile plaines have all come under paddy cultivation which is about 7.8% of the cultivated lands in the island. The main export crops are tea, rubber and coconut. Of the cultivated lands 39% has been grown with tea, 3.8% with coconut and 3.6% with rubber.

About 40-50% of the National Revenue (local production) is collected from the Agricultural Sector. Considering the population in Sri Lanka 70% comes under a rural economy. Only about 25% live in urban areas. The Cooperative Movement plays an important role in the rural agricultural activities of the working population in Sri Lanka 53% depends on agriculture and 40% is employed in State and Private Sector Organisations.

The Industrial Sector in Sri Lanka contributing to 60% of its National products too is, an formidable fraction. This too is two phased, i.e. the large scale industries with a contribution of 25% to the Industrial Sector and the small scale establishments contributing to 60% of the nations money. Of these the small scale enterprises are important as they provide

to about 70% of the rural economy. This is developing more than the large scale enterprises situated within the city with no opportunity for expansion. The industries started based on local raw material are developing more rapidly. Most industries in Sri Lanka are based on local raw materials, eg., The State Timber Cooperation.

As the economy of Sri Lanka is based mainly on Agriculture, development of those industries using local raw materials, is essential. Services of the Cooperative Sector is employed mainly for the up-liftment of rural economy. In short the economy of Sri Lanka is a fast developing economy structured on industries based on agricultural raw material and wide spread agricultural systems.

1. HISTORICAL BACKGROUND OF THE COOPERATIVE MOVEMENT

Cooperation' is not a novelty to the people of Sri Lanka. Most of their day to day problems were solved and decided very often by unanimous decision of elders. Voluntary assistance and mutual help is predominant in such instances. Even today in the rural sector "Aththam System" (In the agriculture activities neighbours help each other on mutual assistance basis) based on Cooperative ideals prevails.

Cooperative Societies not included in Registers existed long before the first Credit Cooperative Society was established in 1911, eg. the Dumbana Credit Society (1904) and Teldeniya Credit Society of (1906). Between 1911 and 1921 a considerable development is seen in the Credit Societies. After the establishment of the Co-op Credit Society Act. Incidentally during World War II due to the initiation of a number of Cooperative Societies to solve the major economic depression in the country the number of Societies increased by three fold. Consumer Societies, Agricultural Producing and Marketing Societies,

Agricultural Societies and other various types of societies were registered during this time. Later in 1957 and 1970 when the Cooperative Movement was reorganised, the varied Cooperative Societies scattered all over the island were reorganised and some were amalgamated. Compared to the early days after the reorganisation the movement definitely showed marked improvement and difference. These reorganisations took place with the Auspices of the Government.

2. PRESENT SITUATION OF THE COOPERATIVE MOVEMENT

Today there are 8318 Coop. Societies established in the Island, and there are 1,948,566 members. Out of this 1,945,464 are members of Primary Societies and 294,462 are members of the defunct societies. The annual income of all these societies for last year was Rs.3530,895,992 of which Rs.2998,471,386 was from the MPC Societies. The income of Primary Societies was Rs. 3301,110,590 Secondary Societies Rs. 160,973,789. The profit from all societies for last year was Rs. 51,876,421. Also the loss from unprofitable Societies was Rs. 13,724,598. This could be clearly understood by the table given below.

PROFIT AND LOSS OF COOP. SOCIETIES

<u>TYPE OF SOCIETIES</u>	<u>NET PROFIT</u>	<u>NET LOSS</u>
Large Primaries (MPCS)	27,114,229.00	6,124,193.00
Other MPCS	104,659.00	81,537.00
All Primary Societies	42,864,267.00	13,474,550.00
Secondary Unions	4,929,477.00	68,397.00
All Island Unions	4,082,617.00	9,665.00

However the Coop. Movement in Sri Lanka is improving in

leaps. This is evident from the tables given below.

(1976-03-31) COOP. SOCIETY STATISTICS

<u>TYPE OF SOCIETY</u>	<u>DEFUNCT</u>	<u>ACTIVELY FUNCTIONING</u>	<u>TOTAL</u>
MPCS	01	357	358
Unlimited Credit Soc.	837	1668	2501
Limited Credit Soc.	14	299	313
Thrift & Welfare Soc.	49	220	269
Consumer Soc.	23	85	108
Agriculture Soc.	97	631	728
Animal Husbandry Soc.	27	104	131
Fishery Society.	8	51	59
Textile Soc.	27	248	275
Small Industry Soc.	116	594	710
Textile Unions	27	248	275
Various Primary Soc.	288	2510	2790
Apex Societies	-	12	12
Cooperative Credit Soc.	19	19	28
Other Soc.	02	15	17
TOTAL	<u>1508</u>	<u>6870</u>	<u>8318</u>

It is evident from the figures given above that about 1/3 of the Societies are defunct. Yet there is a marked improvement, to be seen. In 1976 when the Cooperative Movement was reorganised a five-fold principle was observed. Through this a Cooperative district directorate was evolved and amalgamation of profitless of MPC Societies too took place. Also a maximum Consumer Cooperative Service and improvement in the existing Societies was made possible.

3. DEVELOPMENT OF THE COOPERATIVE MOVEMENT IN SRI LANKA

3.1 COOPERATIVE CREDIT SOCIETIES

Establishment of Cooperative Credit Societies in Sri Lanka was initiated with the attachment of the Cooperative Credit Society legislation No. 7 of 1911. Accordingly in 1972, 3 such Societies were registered in Weligama Korale, Hinidam Pattu and Wellabada Pattu. This legislature was amended and until this Act was passed in 1921 an unlimited number of 154 Cooperative Credit Societies were started. After the Amendment of 1921 other types of Societies too were formed. In this manner from 1921 about 2036 Societies came into existence and the membership increased to 91988.

At present these Societies are developing as Limited and Unlimited, Thrift and Credit Societies and Savings Societies. There are 314 Limited Societies, 2711 Unlimited Societies and 254 Thrift and Savings Societies. The current details of these Societies could be observed from the figures given below.

DEVELOPMENT OF CREDIT SOCIETIES (1974)

<u>TYPE OF SOC.</u>	<u>No. of Societies</u>	<u>No. of Members</u>	<u>Share Capital</u>
Credit Soc. (Coop & Govt. employees)	169	20111	3,000,826.00
Credit Soc. (Women')	11	672	22,353.00
Other Credit Soc.	134	31284	7,007,332.00
Govt. Credit Soc. Ltd.	2711	127926	3,819,615.00
Savings Soc. (Women's)	114	3320	52,501.00
Savings Soc. (Coop & Govt. employees)	103	49501	12,748,206.00
Savings Soc. (estate employees)	1	65	-
Other Savings Soc.	35	2076	115,718.00

Out of the functioning Limited Credit Cooperative Societies the total of credit loaned to members is Rs.91,125,617. Rs.11,804,471 has been paid back into the account. The Capital is Rs.2789170. From the 2711 limited Credit Societies Rs.14,823,583 has been loaned to

members. Rs.13,045,067 has been refunded, and their share capital is Rs.1,227,097. Also through Savings and Welfare Societies Rs.2,133,969 has been loaned and the Capital remaining is Rs.10,596,09. The net Profit of these 430 Societies is Rs.753,343. Rs.704,912 from 224 Limited Societies and Rs.520,621 from 1160 Unlimited Societies. As such these Societies are improving rapidly.

3.2 AGRICULTURAL COOPERATIVE SOCIETIES

The Malayan Tobacco Producers Society started in Jaffna in 1934 could be considered as the first Agricultural Coop. Society in Sri Lanka. By 1945 there were 23 such societies entered in the Register. After the formation of Agricultural Producers Marketing Societies in 1947 the number of Agricultural Societies increased. By 1965 it had increased to 589. In 1974 the membership in these Societies increased to 2026 and their Share Capital was Rs.41,377. There were 129 Agricultural Societies for the various Agricultural crops mainly based on Tea, Rubber, Coconut, Tobacco. Details of these Societies could be observed by the following table.

DEVELOPMENT OF AGRICULTURAL SOCIETIES

TYPE OF SOC.	No. of Membership Soc.	Membership	Shares	Capital	Profit
Coconut	13	4656	1280316	1197605	514070
Tea	16	3578	396593	261375	123227
Rubbwe	21	811	19994	45675	6569
Tobacco	19	7780	332612	281214	170534

Apart from these Societies established for various Agricultural crops other Societies for Animal Husbandry and other

types of minor crops were started, which are explained by the following table.

OTHER AGRICULTURAL COOPERATIVE SOCIETIES

<u>Types of soc.</u>	<u>No. of soc.</u>	<u>Member-ship</u>	<u>Shares</u>	<u>Turnover</u>	<u>Profit</u>
Dairy	42	4810	206526	6303634	197855
Poultry	32	731	68127	59943	1885
Animal Husbandry	6	139	6065	46818	-
Sugar Cane	5	860	7010	336382	40560
Toddy Soc.	26	9126	544327	1369617	474424
Arak	1	43	1575	6467	7373
Veg. Production	2	293	8956		

In the meanwhile there are scattered small societies formed for crops such as Apples, Banans, Passion fruit etc.

The main services done by all these Agriculture Societies are providing credit facilities to farmers, supply of Agricultural machines and implements, fertilizer, chemicals, marketing and transport facilities. For these purposes these societies received aid from the Government. Animal Husbandry Societies and Sugar Cane Societies have received aid of Rs.20,236 and Rs.197,022 respectively from the State. The Dairy Farming Society has received a loan Rs.52,093 from the Peoples' Bank.

However in general the major drawback these Societies are faced with is the lack of Capital. Also it is clear that lack of transport and storage facilities too are hindering the marketing of produce at profitable prices.

3.3 COOPERATIVE FARMS

The agricultural sector makes a major contribution to the economic development of Sri Lanka. To conduct systematic methods and thereby bringing about developments in agriculture, Cooperative farms have been started, which plays a prominent part.

With the establishment of the Land Reform Act of 1972 a large number of lands were taken over by the government to be converted into Cooperative farms. In this manner, Coop. Villages, Coop. Janawasa (settlements), Special Land Reform Coop. Societies were begun. The main aim of these societies was to bring about reformation and Agricultural Development, to cultivate grain that could be utilised in Sri Lanka and thereby, save valuable foreign exchange, create employment opportunities. By 1976 there were 37 Coop. Villages, 30 Janawasas, 47 Land Reform Committees, 79 Youth Settlement Schemes and 108 Societies from each electorate. Of these the Cooperative Janawasa and Cooperative Villagers were taken over by the 1977 Land Settlement Commission, Cooperative Land Reform Society, State Plantation Cooperation, Land Reform Commission and Peoples' Land Development Council.

3.4 CONSUMER COOPERATIVE SOCIETIES

Retail and Wholesale trade of daily consumer requirements as well as rare goods are in the hand of these Societies. Today they sell not only essential food stuffs, but also Motor Vehicle spare parts, Iron and Steel Hardware, Ceramic Ware etc. This is done through 764 Wholesale establishments and 7669 Retail outlets. Of these 890 outlets are specially meant for sale of cloth and Motor spare parts. The Rice, Sugar, Cloth, Milkfood, Dry fish and other goods required for these centres are supplied by the Food Commissioners Department, Salusala, Cooperative Wholesale Establishment, Sri Lanka State Trading (general) Corporation. These establishments in Coordination with the Commissioner of Cooperative Development extends short term loan facilities to Cooperative Societies to purchase their requirements. The following tables indicate the sale of goods by these Wholesale Establishment.

<u>ESTABLISHMENT</u>	<u>VALUE OF GOODS IN RS.</u>
CNE	231,312,511.00
Salusala	128,798,676.00
Govt. Corporations	102,180,314.00
Coop Marketing Fed. of Sri Lanka,	124,943,481.00
Food Commissioners Dept.	1,248,038,551.00

The approximate Annual Total is around Rs.2,220,013,496.00. However this amount has decreased considerably with the reduction of Rice Ration Books after the reorganisation, of the Ration Book Scheme. Also of the 7669, retail outlets 2346 run at great loss. Yet these stores have to supply the Three Essentials to the people.

Within the past financial year the annual Turnover from the Consumer Cooperative Stores was Rs.2,998,471,386.00. Membership for 1976 was 3,305,777. After the survey conducted in 1974-75 of all the Cooperative stores the conditions of these stores have improved. More attention is now paid to provide the consumer a better service, to make the sales staff more attentive and courteous and to the display of goods in the stores.

3.5 MULTIPURPOSE COOPERATIVE SOCIETIES (MPCS)

The activities of an MPCS in Sri Lanka are truly multiphased. The 356 MPC Societies having a membership of 958,709 play an active role today. The Capital investments of these societies are given below.

CAPITAL INVESTMENTS OF MPCS

Paid-up Share Capital	-	33,113,666.00
Statutory Reserves	-	51,177,877.00
Other Reserves	-	28,001,792.00
Profit B/F	-	43,278,228.00
Peoples Bank Loan	-	206,194,965.00
Government Loan		33,697,232.00
Other Assets	-	13,198,249.00

Other than for Agricultural, activities, Construction of Houses, Consumer purposes, Small Industry the MPCS provides loan facilities for social purposes such as Festivals, Celebrations. During the last year the loans granted to members totals Rs.1,23,709,273. Of this total the biggest loan granted Rs.2,672,665 was for Agricultural and Housing purposes. Rs.209,312 was for Small Industries. These loans were granted by the Cooperative Rural Banks which work in close collaboration with MPCS.

The MPC Societies apart from granting loans to members, have to find the assistance the members require for their agricultural activities. Providing loan facilities, material required for agricultural production, administration of Cooperative farms, are some of these. The MPCs has granted Rs.1,23,709,273 annually for agricultural purposes. This has not been only for cultivation of Paddy but also to purchase chemicals and fertilizer, Seed Potato and Onions for 1977 they provided Rs.120,043 worth of machinery and Rs.37,395,744 worth of Chemicals. They provide loans at different stages in cultivation too, such as, ploughing and filling the land, plantation, application of fertilizer and weedicide etc, and harvesting. At the end buying the crop from farmers in their areas and giving them maximum aid and encouragement too fall to their lot. They purchase not only minor crops such as Kurakkan, Mustard, Pepper, Cloves, Nutmeg, Cardomoms, Coffee, Red Onions, vegetables but also major produce such as Paddy, Rubber, Coconut. The following figures show their annual purchases of these items.

PRODUCE PURCHASED BY MPCs

<u>PRODUCT</u>	<u>VALUE</u>
Paddy	4,50,149,902.00
Dried Chillies	4,168,268.00
Potato	445,661.00
Red Onions	579,399.00
Rubber	5,005,325.00
Vegetables	973,698.00
Tea	361,823.00
Cotton	890,399.00

Purchasing and distribution and sale of these products too is the responsibility of MPC Societies.

The MPC Societies govern and administer all the Cooperative farms established on the lands taken by the government under Land

Reorganisation Act No. 1 of 1972. In 1974, 19 Cooperative Societies were in possession 10625 acres of land. Today there are considerable number of such farms ruled by the MPC Societies.

In addition to these various activities the MPC Societies take an active role through the assistance of the District Development Councils to collect fresh milk for milk centres, run Bakeries and Cafeterias, carry on Small Industries such as Beedi Industry, Brick Building and Sewing Centres.

3.6 FISHERIES COOPERATIVE SOCIETIES

The Fishing Industry in Sri Lanka is in the hands of about 65,000 fisherman. There are two types of Societies established by them i.e. Societies of Individual Ownership and Cooperative Ownership. In the first group the member owns his own boat and fishing gear and these Societies are called Fishermens' Credit and Marketing Societies. In the second category of Societies the boats and fishing gear are common property of all members.

Up to date there are about 50 Societies of both groups and there are about 11680 members. The government too sponsors the activities of these Societies. In the 1970 five year plan of the government there had been a motion to provide these Societies with 250 boats, but so far only 37 have been supplied. Fishing today is done by the 542 boats belonging to the Societies. From the 1974 statistics it is clear that 78260 cwt of fish and 3,474 of Sea Leaches were caught.

The following tables clearly show the capital investments of each Society and their profits and loss.

BUSINESS OF FISHERMEN' SOCIETIES

	<u>1973</u>	<u>1974</u>
Paid up Share Capital	Rs.854,334.00	Rs.1,106,265.00
Turnover	7,006,277.00	6,466,392.00
Profit	438,582.00	81,010.00
Loss	1,130,793.00	2,332,429.00
Membership debt.	792,850.00	831,336.00

In 1974 the fixed capital of these Societies was Rs.359,609. These Societies provided the members with Nets, Fishing Gear, Boats etc. Today these Societies face a lot of hardships. Lack of capital and difficulty in supplying experienced professional knowledge, training of fishermen to use modern fishing gear, conduct research to locate the fishing areas where fish collect, are some of these hardships.

3.7 INDUSTRIAL COOPERATIVE SOCIETIES

Today these Societies are of two types, i.e. United Workers Production Societies and Public Utility Services Societies. The first type of Society has the united responsibility of supplying raw material and machinery and marketing of finished goods, and also all activities at every stage of production. Textile weaving Societies come under this category.

Public Utility Services Societies have to supply the required services for Industry. These societies were first established by the United efforts of the Rural Development and Cottage Industries Department and the Cooperative Development Dept. Of these Societies the Coir Industry, Textile Weaving Industry, Carpentry Industry play a prominent part.

As a result of the District Development Council System started in 1973 various Societies for various industries were started. Small industries of such as Brick, Tile, Watakeiya mat weaving and Light Engineering Industries of small dimensions were registered. There are 641 such Societies with a membership of 31289. The financial state of these Societies is evident from the figures given below.

FINANCES OF INDUSTRIAL COOP SOCIETIES(1977)

Share Capital	Rs.	961,924.00
Statutory Reserves		915,776.00
Other Reserves		1,031,306.00
Profit		2,191,653.00
Stock		5,330,705.00
Turnover		14,587,134.00
Peoples' Bank Loan		1,294,426.00
Govt.Loan		823,414.00

While these Societies provide a lot of benefits to its members they encourage economic development too. The most developed type of Societies of all the Industrial Cooperative Societies is the Textile Weaving Society. There are 480 such, societies distributed all over the island with full membership of 108114. There are 21 Secondary Societies of this type. Included in this membership Textile production is done today by hand spinning machines as well as Power looms. A rough estimate of the annual textile production by hand machines is 12,218,740 yards, and by Power looms is 5,890,754 yards. The turnover of these societies is Rs.59,926,203 and the turnover of the 21 textile societies/secondary societies is Rs.67,170,546. Of these 21 secondary societies 12 have yielded in profit of Rs.4,915,350. Of the 480 Societies 268 has shown a profit of 7,136,359. These societies are functioning satisfactorily.

3.8 COOPERATIVE LABOURERS' SOCIETIES

The main aim of this type of Society in Sri Lanka is, whenever an opportunity arises to secure profit gaining employment to worker members. The most popular jobs promoted by these societies, in the past, were unloading at Ware houses, transport, building, digging wells and construction of small bridges. In 1963 there were 152 such societies with a membership of 9361. Today there are 146 societies with a membership of 11,847. Their capital investment is Rs.402,930. Of these societies 63 have gained profit of Rs.549,722 and the loss for these societies is Rs.396,664.

3.9 COOPERATIVE HOSPITAL SOCIETIES

Of the Public Service Societies in Sri Lanka the Cooperative Hospital Societies play an important role. There are about 13 societies formed all over the island, with a membership of 13,197 and capital of Rs.613,726. Membership Fixed Accounts are about Rs.26,444. The financial situation is about Rs.1,192,371 and they have a debit a/c for Rs.1,271,977.

The main aim of these societies is to provide medical assistance to their members and non-members. Up to five years after the registration of a society, an outdoor patient is charged 25 cts, and an indoor patient is charged 30 cts. After that it is reduced to 15 cts and 10 cts. Though these societies could provide a great amount of benefit to the others, they are not functioning very satisfactorily.

The main reason for this is lack of capital, inefficient administration and inability to acquire the services of specialist doctors.

3.10 COOPERATIVE TRANSPORT SOCIETIES

In 1974 when this type of Society was started about 23 societies were registered. Since then due to various reasons most of them have become defunct. Today there are 7 functioning coops Transport Societies with a membership of 851. Of these Societies that execute all transport activities five have been able to gain a profit of Rs.82,250.00. The total income of all societies is about Rs.229,749.00 with an expenditure of about Rs.147,509.00 These societies have not yet had the time to develop and improve its services.

3.11 COOPERATIVE HOUSING SOCIETIES

The housing situation in Sri Lanka goes hand in hand with the ever increasing population. The first Housing Society was registered in 1948 in Jaffna with a membership of 30. In 1958 there were 26 with a membership of 1079 Societies. Of these the Kiribathgoda Housing Society is the most successful. This union received loans from Housing Loan Society and Reserve Banks. In 1971 to assist this society, the NCC organised a National Housing & Development Society. As a whole this type of Societies have not been continuously successful. When the need arises they have been formed and have yielded successful results.

3.12 SCHOOL COOPERATIVE SOCIETIES

The Societies were established not so long ago. The first society was established in 1973. Today there are 2395 societies with a membership of 286,387. The paid up share capital is Rs.370,157.00 and their turnover is Rs.2,581,041.00 with an income of Rs.412,473.00 1205 societies receive an annual profit of Ts.20,322. Practically every secondary school has a schools Cooperative. These are sponsored by the NCC, Ministry of Education and the Coop. Department. Their main activities include the running of School Canteens, Book Shops, School Farms etc.

3.13 OTHER TYPES OF PRIMARY COOPERATIVE SOCIETIES

Other than the prominent types of Societies above mentioned there are other types of Primary Societies registered for various activities.

<u>TYPE</u>	<u>COOP SOC.</u>	<u>MEMBERSHIP</u>	<u>SHARE CAPITAL</u>
Photographers' Soc.	2	454	153,653.00
Flower Growers Soc.	3	912	305,561.00
Motor Vehicle Owners'	3	595	33,200.00
Salt Producers Soc.	1	31	651.00
Printing Soc.	7	534	195,603.00
Film Producers Soc.	3	243	17,053.00
Electrical Employees Soc		16	1,130.00
Ayurvedic Soc.	4	133	3,529.00
Better Living Soc.	3	125	629.00
Grinding Mills.	3	22	14,200.00
Youth Clubs	18	296	469.00
Funeral Soc.	1	254	11,228.00
Cafeteria Soc.	4	331	9,791.00
Security Services	1	41	430.00
People Bank Employees' Soc.	1	2670	1,084,506.00
Authors' Soc.	1	19	3,842.00
Machinery & Equipment Repairs Soc.	1	60	6,330.00
Fine Arts Soc.	1	135	7,295.00

3.14 COOPERATIVE RURAL BANKS

These Banks are being carried out by the MPC Societies under the administration of the Peoples' Bank. There are 504 such Banks. For all purposes of credit and development at village level, savings and pawing these Banks come to the fore. A significant factor is the reorganisation in 1974 which rapidly expanded the sphere of Rural Banks.

4. ALL ISLAND COOPERATIVE UNIONS

4.1 SRI LANKA COOPERATIVE FISHERIES UNION LTD.

This Union was established in 1952 with the members of all the Fisheries Societies. At the beginning there were only 11 members. This has increased to 5725 now, and there are 117 branches. Its annual profit is approximately Rs.49,879.00. Importing fishing gear required by member societies, buying and selling of fish from members at nominal prices are some responsibilities of this Union. In 1974 the Union had expended Ts.13,585.00 for Fisheries Educational and Publicity Works, and Rs.1,202,280.00 on production activities. Emphasis is laid on breeding of fresh water fish.

4.2 SRI LANKA RUBBER SOCIETIES UNION LTD.

This Union registered in 1964 has a very limited membership. When MPC Societies were reorganised this Union lost its original members who constituted of 14 large primaries and 3 rubber production societies. In 1974 the Union has purchased 1590403 lbs of rubber from Cooperative Societies and earned Rs.2,155,735 by sales. Its main activities were the purchase of rubber from other Cooperative Societies and processing and shipping them and selling a part in the open market.

4.3 SRI LANKA COCONUT PRODUCER'S COOP SOCIETIES UNION LTD.

The function of this Union is to distribute coconut oil to Coop. Societies and manufacturing of Cooperative Bar-soap. The annual profit from coconut oil is approx. Rs.20,022.00 and from

production of soap is Rs.152,993.00. Apart from the above functions the above functions the Union earns income from various other activities involved with coconut.

4.4 SRI LANKA COOP INDUSTRIES UNION LTD

This Union was established in 1974. Establishment of Industries, to provide them production facilities, to carry out activities efficiently are the activities of this Union. Its main function today is the manufacture of rubberised coir goods. By the export of rubberised mattresses the Union has earned Rs.2,608,746.00. Their Annual Profits reach Rs.613,440.00

4.5 SRI LANKA LIGHT ENGINEERING COOP SOCIETIES UNION LTD.

This Union was registered as the main production Coop. Union 1975, out of the various production Cooperative Societies that were started under the scheme of divisional development societies. Its present membership is 40 posseing Rs.4,000.00 shares. In 1976 with a view to market their goods and popularise them in foreign countries a sales centre was inagurated. The value of goods purchased by their societies for the last year is Rs.668,102.00 and it was the following goods that were bought.

Motor Spare Parts	Rs. 270,625.00
Weighing Scales	257,856.00
Other Goods	374,456.00

These products were supplied to the CTB, Paddy Marketing Board and other government Corporations. The Ministry has now provided an interest free loan of Rs.260,000.00 for the development of this Society.

4.6 SRI LANKA MARKETING FEDERATION

This Cooperative Union paly's an important role in the field of consumer and agricultural affairs.

It was registered in 1973 and has a membership of 351. This Union is engaged in purchasing Milk, Milk Products, Food stuff,

Chemicals, Fertilizer, Produce of Corporation, Grain, Tractors, Agricultural products and vegetables. The purchasing of food stuff for primary export and supplying them to the principle marketing places. The 'Markfed' as it is commonly known can be considered the largest existing marketing body. Its annual turnover is Rs.203 million and the paid up share capital is Rs.96,875.00 of their annual turnover Rs.110,954,921.00 was from the Milk Board and Rs.9,840,408.00 was from export of Steel products. The full income for last year was Rs.6,289,899.00 while its nett profit was Rs.5,115,553.00.

5.1 NATIONAL COOPERATIVE COUNCIL OF SRI LANKA

This is the Apex Organisation representing the Cooperative Movement in Sri Lanka having membership to the International Cooperative Alliance. Its work programme includes Member Education, formulating of schemes of assistance for audio-visual training methods in Cooperation and allied subjects the printing and distribution of Books pertaining to Cooperation and the Cooperative Movement in the Island. Various other services all pertaining to the up liftment of Cooperation in Sri Lanka are performed by this Council. However of all these services emphasis is laid on education of Cooperative Workers which is executed through its 26 District Councils. Annually about 1500 members are trained. It also conducts a postal training course. The National Coop. Council could be considered the protective organisation of the Cooperative Movement in Sri Lanka.

5.2 COOPERATIVE SCHOOL (POLGOLLA)

Apart from the National Coop. Council of Sri Lanka this Institution is the other source providing Education to the movement in Sri Lanka. This Institution trains Cooperative Inspectors, organises Conferences, Seminars and drawn up syllabuses, holds both ordinary level and advanced level examinations in varied subjects pertaining to Cooperation. The advanced level examinations are conducted at the 26 district centres. Annually around 2000 employees sit for these examinations.

5.3 COOPERATIVE MANAGEMENT SERVICES CENTRE (CMSC)

This centre was inaugurated in April 1973 under the auspices of the Sri Lanka State Trading Corporation Act No.33 of 1970. Aid from the Swedish International Development Agency (SIDA) and International Labour Organisation were received for this venture. The chief aims of this centre were the improvement of the services of all Cooperative Organisations and the strengthening of Cooperative member participation, supervision and administration.

Guidance and advising on management services to Cooperative Institution is an important item on its work programme. Managerial Advisory Division is a special section at CMSC. In addition to this they provide planning and extension services too.

The National Cooperative Council of Sri Lanka receives the full support of other apex organisations for its member education programmes. But the CMSC too performs a variety of services such as preparation of agricultural advisory plans, the establishment of a new Bill system for Cooperatives, advising in the re-organisation of Cooperative Societies and giving new life to existing Societies. Finally based on the experience gained they prepare and publish reports and leaflets for future reference of Cooperators.

The Cooperative Management Services Centre is maintained by funds from the government of Sri Lanka and SIDA. Salaries of local personnel are paid by the government and the expense incurred by foreign advisers as well as what is necessary for the maintenance of the Centre are borne by SIDA.

COOPERATIVE EMPLOYEES COMMISSION

The Cooperative Employees' Commission became legislative under the Cooperative Commission Act No.12 of 1972 and became operative on 31.3.1972. In terms of the Act this Commission has been granted many powers to control Cooperative Societies (as shown in part II, of the act). In accordance with these powers, the recruitment of Cooperative employees, determination of the service conditions, promotions, deposit of security bonds etc. are dealt with.

In addition the determination of required qualifications for various posts and ascertainment of such qualifications, salaries and increments, appointment of inquiries for disciplinary action, provision of facilities for settlement of disputes are also some of its duties.

Accordingly this Commission is empowered to supervise Cooperative Societies, transfer and promote employees and look into the external and internal activities of Coop. Societies.

COOPERATIVE WOMENS' SOCIETIES

With the aim of developing the Cooperative Movement through the development and participation of Cooperative women the Coop. Womens' Societies were inaugurated in 1976 in Sri Lanka, with the assistance of the International Cooperative Alliance. In 1976, the National Level Womens' Committee and 26 district committees were formed. Arrangements are now made to form a Womens' Committee in coordination with every MPC Society in Sri Lanka. These committees have drawn up courses to train women to take a more active stance in Cooperation. In March 1977 with the assistance of the ICA a fundamental training course was conducted for 36 Womens' Committee representatives. Topics such as Cooperation, Leadership, Nutrition, Preparation of a balanced diet were discussed at this training programme.

Through these Womens' Committees all efforts are taken to uplift the position of the rural women, educate them, develop their inherent abilities and develop Cottage Industries.

DEPARTMENT OF COOPERATIVE DEVELOPMENT

Up to 1930 all activities pertaining to the Cooperative sphere were carried out by the Director of Agriculture. In 1930 it was decided to open up a department for these purposes and in September 1st 1930, the Cooperative Department was inaugurated. Its first Registrar was Mr. Cadwell.

Work in the Department of Cooperative Development is administered by the Commissioner of Cooperative Development, Deputy Commissioners, Assistant Commissioners and Cooperative Inspectors. Consumer, Agricultural, Administrative, Industrial, Financial and Audit activities are executed by Deputy Commissioners. Statistics, Legislative Small Industries, Surveying and other work concerning Societies are looked after by Assistant Commissioners. The Coop. School at Polgolla too is run by the Department.

Responsibilities of the Department are varied. Of these development of the Cooperative Movement, Organisation of Cooperative Societies and their Registration are important items. In addition Administration and Auditing of Societies, Cooperative development services, are also included.

CONCLUSION

The Cooperative Movement in Sri Lanka though rich in experience is however weak in development compared to the developed movements in the Scandinavian and European Countries.

The main reason for this is the absence of a strong business organisation with long standing traditions, at National Level. The government has stepped in and the place of a National Cooperative Organisation is being usurped by the government departments and cooperations. The policies of these offices change with every change of government.

The second major drawback in the Development of the Cooperative Movement in Sri Lanka is the lack of skilled and experienced leaders with professional ability. The few who are present too are not satisfied with their lot due to unsatisfactory career prospects, Poor salaries and unattractive employment conditions too contribute to this situation.

Another factor hindering the progress of the Cooperative Movement in Sri Lanka is that it is dominated and managed by "Lay" Management Boards, who manages both operational and policy decisions. Management of Societies should be taken over by skilled managers while allowing the members to maintain the democratic control of the Society.

However, now this situation is changing very much for the better with the policies of the new government. The Cooperative is becoming more and more a Peoples' Institution rather than the puppet it was of the previous regime. Even with its many defects and shortcomings the Cooperative Movement has taken root in the life of the people of Sri Lanka. It is facing a challenge to evolve a Cooperative System which could be most beneficial to a rapidly developing country.

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T H A I L A N D

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THE COOPERATIVE MOVEMENT IN THAILAND

by

THE COOPERATIVE LEAGUE OF THAILAND

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May 1978

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THE COOPERATIVE MOVEMENT IN THAILAND

General Economy

The Kingdom of Thailand is part of Southeast Asia bordered by the Indian Ocean and Burma in the west, Cambodia and Laos in the east, Laos and Burma in the north, Malaysia and the Gulf of Thailand in the south. Its total Area is 518,000 sq. kms. or approximately 200,000 sq. miles; stretching 800 km. from east to west. It has about 1,520 kilometres of coastline on the Gulf of Thailand and about 560 kilometres on the Andaman Sea. The climate is tropical and the population estimated in 1977 was 42 million.

Thailand is an agricultural country. The total land under agriculture, including forest and grazing land is 61 million hectares or 19.25 percent of the total area. Roughly 80 percent of the total population of 42 million, mostly small farmers, is engaged in agriculture. The major crops are rice (which is the mainstay of Thai economy and the largest export earning), cotton, sugarcane, coconut, peanuts, soya-beans, maize, tobacco, rubber and tapioca. Agriculture contributes to over 30% of the G.N.P. and 70% of exported product.

At present, the Royal Thai Government is putting forth great effort to improve the life of its small farmers. Evidence of this effort was found in beginning strategies of land reform, assistance in distributing production supplies, creation of the Marketing Organization for farmer to help develop markets and price support. Accelerated support is also being given to agricultural cooperatives and farmers' associations (pre-coops.) through direct governmental assistance and financing through the government-owned Bank for Agriculture and Agricultural Cooperatives (BAAC) as well as commercial banks. The small industries are also given an important place in the programmes of economic development, because of the shortage of capital together with the presence of the a large labour force and several other factors make it both necessary and desirable to place emphasis on small industries.

Cooperative Movement

An unlimited liability credit cooperative or a village credit cooperative established in 1916 by the Government under the special legislation called "The Civil Association (Amendment) Act, BE. 2459 (1916)", is the oldest of Agriculture Cooperative in Thailand. This cooperative later became the model type of other cooperatives, both agricultural and non-agricultural.

In 1928 the Cooperative Societies Act, BE. 2471 (1928) was promulgated to pave the way for further development of cooperative of various types. At the end of 1954 twenty two types of cooperatives had been organized in Thailand, with total number of 10,338 societies. However, the most important one was the village Credit cooperative.

The main objective of the village credit cooperatives in Thailand was to extend to the members short, intermediate and long term loans for genreal farm purposed and to help relieve the farmers from severe indebtedness. The number of village credit cooperative increased from one society in 1916 to 81 societies in 1927, and increased rapidly after the Second World War to 9,819 societies in 1954. This type of cooperative granted all loans against the mortgages of land, the appraised value of which must be well over the amount of loans, i.e. the loan amount must not exceed 60 per cent of the land value. In addition, two fellow members have to stand surely for a borrowing member. An interest rate of 12% p.a. is charged on out-standing loans.

In 1943, the Bank for Cooperative was organised to serve as a financing centre of the agricultural cooperatives and to take the place of the Governments' direct lendings. It was superceded in 1966 by the Bank for Agricuiltive and Agricultural Cooperative (BAAC) which was established in that year in order to widen scope of operations to include loans to individual farmers as well as agricultural coo-
operatives.

In 1968, the Cooperative Societies Act, BE. 2511 (1968) was promulgated, repealing the Cooperative Societies Act, BE. 2471 (1928) in order to facilitate the expansion and improvement of the cooperatives.

This legislation embodied two new features, i.e. the amalgamation of cooperatives and the establishment of the Cooperative League of Thailand.

In 1969 the Government of Thailand, through the then Ministry of National Development, had planned to amalgamate the small village credit cooperatives into the bigger units called "Agricultural Cooperatives" in order to create a viable cooperative at the district or local level because the small village credit cooperatives did not make any progress since the main function is limited to the provision of credit and the volume of business is very small owing to the small number of members, averaging 17 members per society.

Before the launching of amalgamation program in 1969, there were 9,684 village credit cooperatives with a total membership of 153,278 or 3.5 million farm households. They existed in 286 districts of 63 provinces, out of the total 539 districts of 71 provinces, showing that the area coverage is still just 53% of the total districts. By the end of December 1973, 9,603 village credit cooperatives were merged into 410 fair-sized agricultural cooperatives, all of which changed their liability structure into the limited one.

At present, there are six main types of cooperatives in Thailand. They are Agricultural Cooperative, Fishery Cooperative, Land Settlement Cooperative, Thrift and Credit Cooperative, Consumers Cooperative and Service Cooperative. At the end of December 1977, there were 1,240 cooperatives with a total membership of 1,281,836 persons (families), averaging 1,033 members per society. Of which 681 societies were agricultural cooperatives with membership of 553,456, averaging 813 members per society, 7 fishery cooperatives with membership of 1,112, averaging 158 members per society, 59 land Settlement cooperatives with membership of 32,421, averaging 550 members per society, 160 consumers cooperatives with membership of 270,434, averaging 1,690 members per society, 236 thrift and credit cooperatives with membership of 395,257, averaging 1,674 members per society and 97 service cooperatives with membership of 29,156, averaging 301 members per society. Among 681 agricultural cooperatives with membership of 553,456, there were 8 unlimited liability credit cooperatives

with membership of 263 persons (families), averaging 33 members per society.

In general the Government of Thailand has recognized the need to make cooperative viable economic organization and cooperatives are considered highly essential to the successful extension of agricultural credit to small farmers, the most effective means to improve the marketing and purchasing power of the farmers and the effective way to improve crop-production techniques including proper use of fertilizer, improved seeds, insecticides and pesticides. It is worthy mentioning in particular here that during last year (1977) cooperative activities have got full support from the government, Mr. Thanin Kraivixien, the then Priminister stressed and declared his policy that "the only mean to solve economic problems of the farmers, accounted for 80% of the whole population, is agricultural cooperatives".

Agricultural Cooperative

The agricultural cooperative with limited liability is changed from unlimited liability agricultural credit cooperative established by Government in 1916 as first cooperative in Thailand. The limited liability agricultural cooperative was first established in 1959-60 as a pilot project in Pakchong and Muang Chacherngsao districts. They were improved both in structure and working procedures, in order to expand their activities to include the supply of farm requisites, the marketing and processing of farm products, the extension of modern production techniques, the improvement of land and the extension of loans. They will operate as a multifunction cooperatives. At the end of December 31, 1977 there are 681 agricultural cooperatives with the total membership of 553,456 members (families). Out of this, there are 8 unlimited village credit cooperatives with the membership of 263 members (families) as follows:

Type of Agri. Coops.	No. of Societies	Membership	Average Member per Societies
- Village Credit Coops.	8	263	33
- General Agri. Coops.	597	527,076	883
- Agri. Marketing	2	932	466
- Land Improvement	2	2,262	1,131
- Agri. Coops. in Accelerated Development Areas	48	16,519	344
- Special Type of Agri. Coops.	24	6,404	267
Total	681	553,456	813

Present Structure

The structure of agricultural cooperative in Thailand is a three-tier structure, with primary societies at local level, secondary societies at the provincial level, and the apex society at the national level.

The primary society comprised individual farmers at district or local level. The main function of such society is the provision of credit and other services to the members: marketing, farm supplies, farm extension, processing, water management and general services.

The secondary level or provincial federation comprises at least three or more societies in particular areas joining together. At the end of December 31, 1977 there were 26 secondary societies with the membership of 283 societies, averaging 11 members per society. This society functions similar to that of the primary society but on a larger scale. Special processing activities are undertaken by the federation, such as rice milling, tapioca processing, feed stuff mixing and so on.

The national level comprises primary and secondary societies. At present "The Agricultural Cooperative Federation of Thailand Limited." (ACFT) is the apex society of agricultural cooperative in Thailand. At the end of February 28, 1978, the membership of this

society comprised of 570 agricultural cooperatives throughout the country. The main activity of this society has emphasized on agricultural cooperative business; farm marketing, farm supplies, providing credit for marketing including the exporting and importing of business concerned. ACFT acquired a modern corn silo with a capacity of 30,000 metric tons at a purchase price of 89 million baht. At the present time the major marketing activities of ACFT is purchasing and exporting corn. For other agricultural products, ACFT is just purchasing and exporting rice as follows:

Fiscal Year	Exported Products	
	Corn (Ton)	White Rice (Ton)
1969/1970	51,174	-
1970/1971	59,883	-
1971/1972	79,752	-
1972/1973	40,979	-
1973/1974	97,163	-
1974/1975	98,965	2,000
1975/1976	128,216	20,167
1976/1977	83,088	60,723
Total	639,220	82,890

Source : ACFT

The business of selling fertilizers (which started in 1956 when ACFT was the Cooperative Wholesale Society of Thailand Ltd) pesticides, publishing and other is going on as follows :

Fiscal Year	Goods Sales to the member			Publishing (baht)
	Fertilizers(ton)	Pesticides(baht)	Other Goods(baht)	
1969/1970	4,612	-	-	-
1970/1971	5,886	65,526	3,113,179	15,571,250
1971/1972	9,127	463,251	3,950,520	18,737,385
1972/1973	17,196	1,681,363	3,358,940	21,813,016
1973/1974	23,992	609,088	3,703,245	18,694,582
1974/1975	21,971	15,389,651	4,267,245	25,835,273
1975/1976	9,405	17,299,450	9,365,105	31,441,255
1976/1977	27,760	17,703,586	10,071,335	38,379,197
Total	119,949	53,211,915	37,829,570	170,471,950

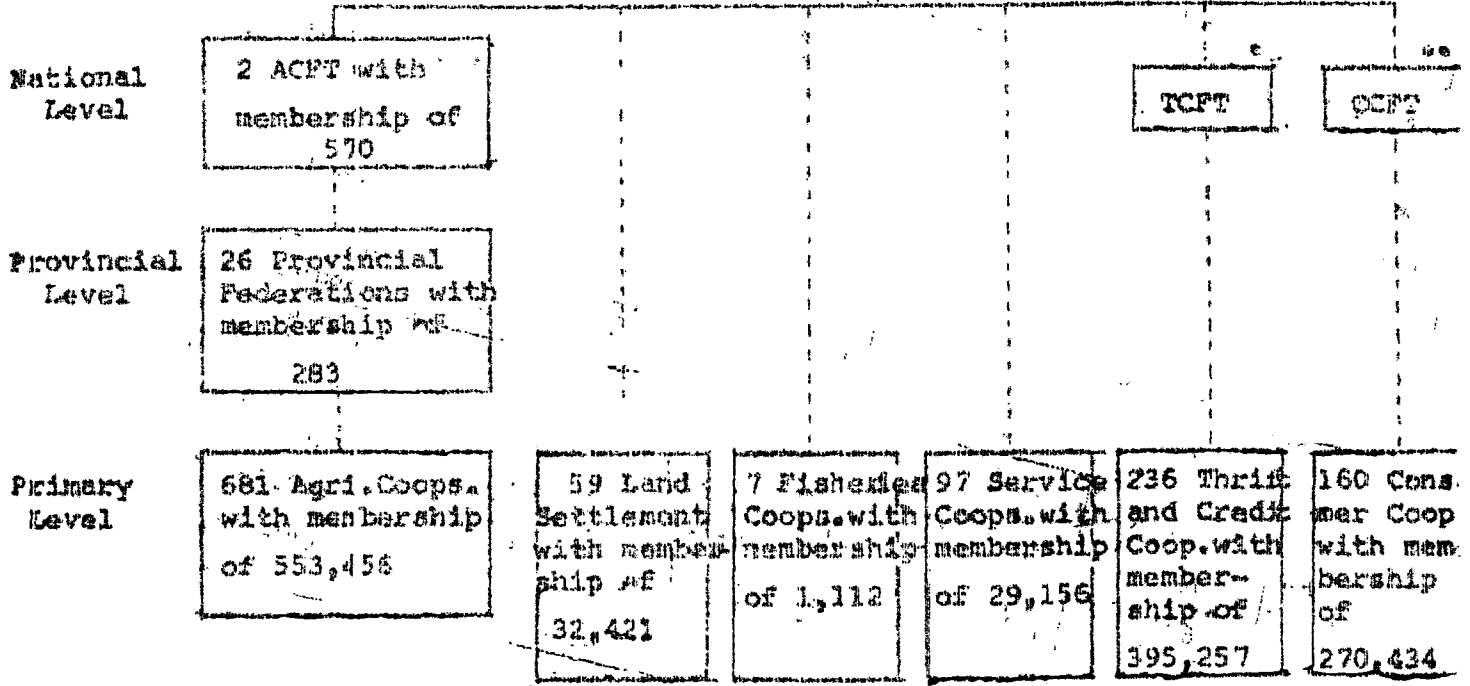
Source : ACFT

Besides the Agricultural Cooperative Federation of Thailand (ACFT), there is another related organization functioning at the national level as well : the Cooperative League of Thailand (CLT) which was organized in 1968 as an apex non-government organization representing the cooperative under the Cooperative Act 1968, Article 104, stated that "The Cooperative League of Thailand shall be created on non-profit making basis consisting of all types of member cooperative in order to give aid and assistance to cooperative societies on education and training, as well as cooperative movement." Presently there are 1,269 member societies. The objectives of the League are in general to promote and develop the cooperative movement in Thailand; to conduct research, education and training and assist the leadership within the cooperative movement, to build and expand cooperative activities and to serve as the representative of cooperatives in the country. In FY 1978, the following training programmes will be conducted :

1. Training of the board members of the land settlement cooperatives throughout the country, 116 participants.
2. National Seminar on Agricultural Marketing, 26 participants.
3. The Seminar for the chiefs and their assistants of The Mobile Training Units on Family Welfare Activities, 26 participants.
4. Training of the accountants of the Thrift and Credit Cooperatives, 51 participants.
5. The Seminar for the Chairmen of the Consumers' Cooperatives, 165 participants.
6. Conference of the Leading members of the agricultural and Land Settlement Cooperatives, 100 participants.
7. The Seminar for the Chairmen of the Thrift and Credit Cooperatives, 260 participants.
8. Training of the accountants of the consumers' Cooperatives, 50 participants.
9. Training of the board members of the agricultural and land settlement cooperatives, 7,640 participants. This training program is done through 9 mobile training units of the Cooperative Promotion Department with financial support from the League.
10. Training of the storage keeper of the agricultural cooperatives, 250 participants.
11. Training of the managers of the agricultural cooperatives, 500 participants.
12. Training of the accountants of the agricultural cooperatives, 90 participants.

The structure of the cooperative organization in Thailand in 1978 can be shown as follows:

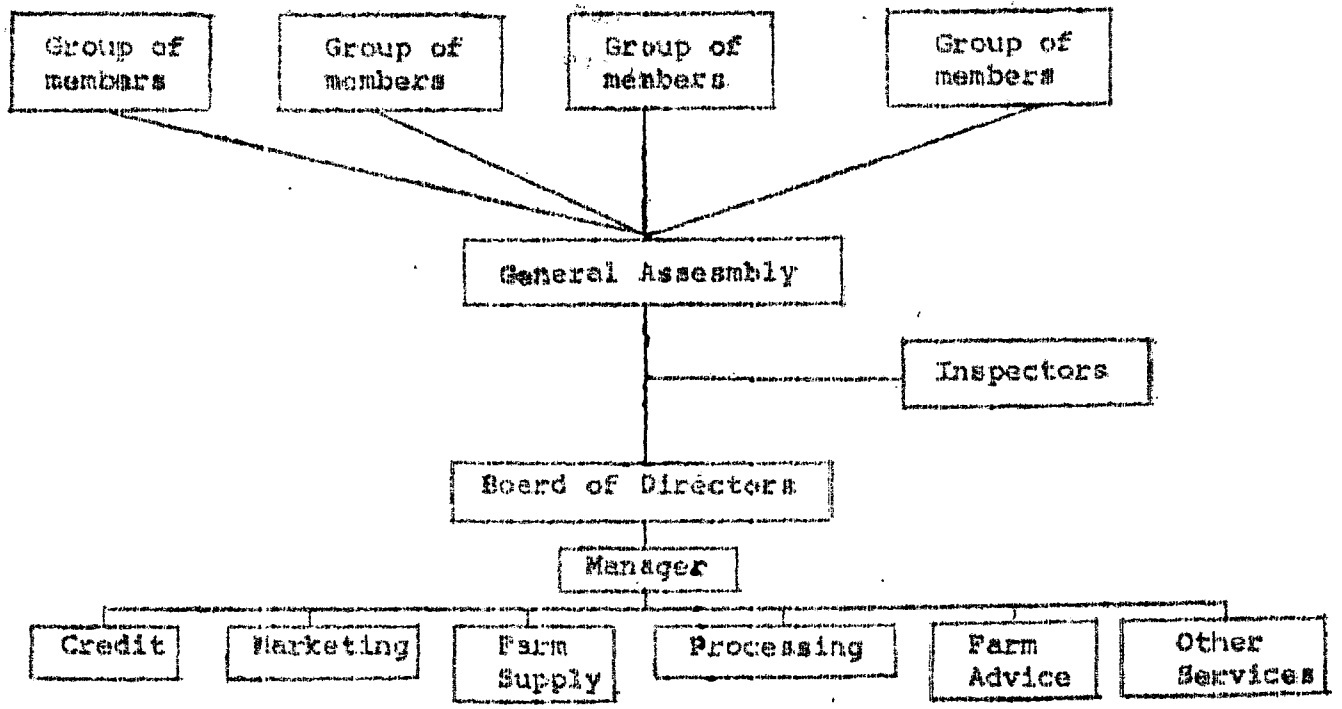
Cooperativa League of Thailand



* TCFT = Thrift and Credit Cooperative Federation of Thailand.

** CCFT = Consumer Cooperative Federation of Thailand.

The Organizational Structure of Agricultural Cooperatives.



Agricultural Cooperatives in Thailand have played an important role in agricultural development. The present unit of agricultural cooperative is a large-sized multi-purpose organization catering to almost all needs of the members in respect of credit, marketing, purchasing, service, guidance and so on. These societies are the result of amalgamations in 1969. There were, during 1977, 681 such cooperatives with 553,456 individual members (families). According to the study made by the cooperative League of Thailand, it was revealed that the working capital, fund of their own and current fund of these societies have increased every year as follows :

Unit Million Baht

F.Y.	No. of Society	No. of Membership	Working Capital	Fund of Their own	Current fund
1972	747	299,305	1,062.33	381.77	376.96
1973	768	337,863	1,047.87	396.11	357.51
1974	621	331,962	1,351.47	506.98	446.71
1975	575	363,115	1,804.05	691.51	450.53
1976	588	465,502	2,862.12	684.99	490.05

Source : CLT

Business Activities

Agricultural cooperatives in Thailand are organized with the purposes to help improve the standard of living of people in rural areas through the provision of credit, marketing, farm supply, processing of agricultural products and other services concerned. Some activities such as lending, purchasing and marketing are going to achieve their goals as follows :

Unit : Million Baht

F.Y.	Lending	Purchasing	Marketing
1972	805.58	63.41	150.19
1973	801.81	27.25	112.79
1974	954.54	83.53	238.82
1975	1,092.66	168.16	181.05
1976	1,480.28	294.24	427.23

Source : CLT

Income, Expenditure and Net Profit

The majority of agricultural cooperatives have launched activities successfully. From the study on financial situation of the agricultural cooperatives in 1976, it was revealed that 445 societies or 86% out of the total 520 societies had surplus, while 75 societies or 14% had deficits and most of them were newly established as shown in table below.

Unit : Million Baht

F.Y.	Income	Expenses	Net Profit
1972	155.63	124.20	28.16
1973	160.92	122.90	39.29
1974	351.69	290.88	62.26
1975	244.42	202.52	51.83
1976	859.22	743.68	54.64

Source : CLT

Role of Government

Thai Government is assisting the agricultural cooperatives in several ways to accelerate the process of cooperative growth. In 1977 the government had set policy regarding paddy storage. At the beginning of the fiscal year 1977, there were 315 storages with total capacity of 163,550 tons scattering throughout the country. During the fiscal year, government budget was allocated to build 130 additional storages with capacity of 500 tons each. When the project is completed, there will be 817 storages with total capacity of 335,100 tons. Of which 722 will be paddy storages and 95 multipurpose ones. To implement this program, the government allotted Baht 55 million from farmers' aid fund for construction purpose, Baht 5 million for buying trucks and boats, Baht 230 million for collecting rice and other products.

Problems of Agricultural Cooperatives in Thailand

1. The government is too deeply involved in the control of cooperative financing and management. There is not much incentive for development of leadership among the cooperatives. The cooperative law is too unwieldy and there is too much interference by government department in day-to-day work.
2. Lack of adequate feasibility studies prior to organizing new cooperatives.
3. Lack of understanding of how a cooperative functions and what is necessary for a successful cooperative among members.
4. Lack of sufficiently trained, competent personnel for employment in cooperatives, particularly in the areas of management, accounting and financial analysis.
5. Lack of sufficient funds to support agricultural investment.
6. Lack of market both in the local and international.
7. Lack of better coordination among cooperative agencies concerned.

Recommendation#

1. That the role of government toward cooperatives be gradually changed from a direct assistance (management) role to a catalyst (educational and regulatory) role. The cooperative League of Thailand has to set in a process for proper development of leadership at all levels.
2. Before establishing new cooperative, it is necessary to make feasibility studies the needs among the members.
3. The cooperative League of Thailand has to plan the training or seminar programmes for cooperative members both in short term and long term.
4. The government should encouraged to establish the Bank for Cooperatives or Cooperative Bank so as to be the financial source of all types of cooperatives, particularly agricultural cooperatives.

5. In Thailand the middlemen have a very strong hold on the economic activities of the farmers. Hence, the cooperatives are not able to make much headway in winning them over to their side. The government has to encourage the cooperative marketing both in local and international market.
6. All cooperative agencies concerned have to plan the cooperative development together and share their activities both in short term and long term.

Fishery Cooperative

In Thailand, Fishery Cooperative was organized among fishermen who deal with fresh water or sea water fish with objectives of increasing the productivity of small fishermen and providing a higher return since 1954, but most of them defaulted on their loans and failed. Therefore, in 1975 fishery cooperatives were organized as multi-purpose societies along the coastal and near-by areas where fish farming can be practised.

According to the cooperative development plan, the Cooperative Promotion Department will organize 2 marine fishery cooperatives per year. Through the cooperatives, financial assistance to individual members and societies is projected to provide both service and market outlets for the members. It is hoped that government will provide funds to each cooperative on a loan basis, averaging 1,000,000 baht per cooperative for development of business operations, and 7,000,000 for lending purposes. The cooperative League of Thailand will also hold the training course for their Board members and members.

FY 1977 one fishery cooperative was organized with initial membership of 191 persons (families). At the end of December 1977 there were 7 fishery cooperatives with total membership of 1,112 persons and 194,650 baht of paid up share capital. Though the fishery cooperative are unsuccessful but from 1975 business operations of this type of cooperative has improved as illustrated in the following table:

Year	No. of societies	No. of Membership	Working Capital	Fund of Their Own	Current fund	Purchasing	Marketing	Net(Loss) Profit
1972	3	809	4.97	(0.52)	(0.62)	-	0.23	(0.04)
1973	3	815	5.00	(0.59)	(0.62)	-	0.27	(1.70)
1974	2	425	3.01	(2.26)	(2.31)	-	0.37	(1.04)
1975	4	424	1.55	(3.63)	(3.63)	-	0.30	(1.03)
1976	4	501	1.09	0.08	0.05	0.33	0.61	(0.005)

Source : CLT

At present, fishery cooperatives with small membership still have low bargaining power and uncertain prospect, However, every effort has been done to increase number of members larger enough to be effective. by operated. Marketing of a qua product is a critical problem. Here the fish buyer keeps the fishermen at the poverty level. The fishery cooperatives are trying to market the members' products and provide their own cold storage, icing and appropriate transportation to sell the fish and finance is a serious problem requiring a solution.

Land Settlement Cooperative

Land Settlement Cooperative was started in 1938 for helping landless farmers or tenants to become land owners or to get security on land tennancy by way of setting them on the underdeveloped and forest lands conserved by the government for such purpose by organizing land hire purchase and land tenant cooperative societies. Land Settlement Cooperatives can be sub-divided as follows :

1. Agricultural Land Settlement Cooperatives : This type of the cooperative was organized with purposes to help landless farmers to own and operate the conserved or public land allotted to them for agriculture. At the end of December 1977 there were 25 societies with a total membership of 18,679 persons (families).

2. Land Hire-Purchase Cooperatives. This type is also aimed at helping the landless and small farmers to become land owner through a hire-purchase system. In December 1977 there were 14 societies with membership of 6,814 persons (families).

3. Land Tenant Cooperatives. These cooperatives were established to help farmers in agricultural cultivation through tenant system. There were 18 societies with membership of 12,698 persons (families) in December 1977.

4. Fishery Land Settlement Cooperatives. It was organized along the coastal and near-by areas where fish farming can be practised to help farmers' security. At the end of December 31, 1977 there were 2 societies with membership of 230 persons (families).

At present there were 59 Land Settlement Cooperatives with membership of 32,421 persons (families), averaging 550 members per society. They were organized in 34 provinces and 0.64 million acre of land were allocated to members. During 1977 five land Settlement Cooperatives were organized in 5 provinces. Total land allocated under the project is 1,206 acre with membership of 1,495 persons (families). In addition Land Settlement Cooperatives extended Baht 24.6 million loans to members for production purposes and refinancing of old debts and provided agricultural supplies valued at Baht 9.9 million to the members. In collaboration with Land Reform Bureau and Department of Irrigation and Land Development 65,750 acre of land were developed and allocated to farmers in Uthaitani and Narathiwat and there was organizing a land-hire purchase cooperatives in the land donated by His Majesty the King, their activities are doing well as shown below :

Unit : Million Baht

Year	No. of Societies	No. of Membership	Working Capital	Fund of their own	Current fund	Lending	Income	Ex-pences	Net Profit
1972	370	11,165	48.63	16.65	20.72	9.98	6.60	5.67	3.79
1973	303	9,321	55.10	19.66	31.14	25.72	7.15	5.90	1.29
1974	188	11,894	60.61	26.35	30.30	22.60	17.52	14.21	2.83
1975	77	14,867	65.53	26.55	31.35	21.71	15.39	13.68	1.00
1976	51	29,808	79.45	30.83	36.30	16.61	23.20	20.06	1.09

Source : CLT

In order to strengthen the operations of these Land Settlement Cooperatives, the Cooperative League of Thailand has tried to hold seminars and training programmes for their Board members, managers.

Thrift and Credit Cooperative

The first Thrift and Credit Cooperative was organized in September 28, 1949 among government officials of Ministry of Cooperatives with purposes to promote thrift and to help members in clearing old debts and meeting necessary expenses in everyday life by giving loans at low rate of interest. This type of Thrift and Credit Cooperatives is promoted to be organized for the benefits of wage or salary-earners both in rural and urban areas. During FY 1977, 74 Thrift and Credit Cooperatives were organized with 21,718 members. At the end of December 1977, there were 236 Thrift and Credit Cooperatives with the membership of 395,257 persons, working capital amounted to Baht 1,804 million, Baht 1,305.6 million of paid up share capital, Baht 70.9 million of reserves and Baht 99.8 million of both saving and time deposits.

During the year 49,069 members were admitted to the cooperatives, loans extended to members amounted Baht 2,086 million, working capital increased to Baht 282.2 million and reserves, paid-up share capital and deposits had increased to Baht 12.5 million, Baht 203.4 million and Baht 26.6 million respectively.

The statistical data from Cooperative Statistics in Brief 1968-1976 collected by the Cooperative League of Thailand indicated that the business operations of these cooperatives were favorable, i.e. volume of business had been expanded but the main business of these cooperatives is lending or credit operation. At the end of December 1977, Thrift and Credit Cooperatives classified by types of members were as follows :

1. Teachers' Thrift and Credit Cooperatives.
2. Government Officials' Thrift and Credit Cooperatives.
3. Polices' Thrift and Credit Cooperatives.
4. General Thrift and Credit Cooperatives.

The number and membership of each category of Thrift and Credit Cooperative at the end of December 1977 are shown in the following table :

Type of Society	No. of Society	Per-centage	Member-ship	Per-centage
- Teachers' Thrift & Credit Coops.	75	31.78	249,778	63.19
- Govt. Official Thrift & Credit Coops.	60	25.42	90,003	22.77
- Polices' Thrift & Credit Coops.	95	40.25	53,141	13.44
- General Thrift & Credit Coops.	6	2.54	2,335	0.59
Total	236	100	395,257	100

Source : CLT

From the above table, the Thrift and Credit Cooperatives were developed for the benefits of wage or salary-earners especially government officials, only 0.59% of the total number was organized in private sector such as industrial factories. No Thrift & Credit Cooperative is organized among common people with different occupations. However, the progress of this cooperative is gradually going on especially in 1977 the activities of this cooperative increased sharply as shown below :-

Unit : Million Baht

year	No. of Societies	No. of Membership	Working Capital	Fund of their own	Current Fund	Lending	Income	Ex-penses	Net Profit
1972	126	226,266	699.46	660.31	658.58	625.13	71.40	11.66	59.74
1973	134	261,727	821.88	777.42	776.65	735.96	84.19	13.53	70.66
1974	142	295,354	981.27	920.41	919.96	887.55	100.30	17.26	83.03
1975	147	298,194	1,178.68	1,091.12	1,088.42	1,107.10	120.70	24.16	96.54
1976	162	316,826	1,412.79	1,287.47	1,285.97	1,698.99	146.95	31.93	115.02

Source : CLT

At present, the Thrift and Credit Cooperative movement is not strong enough to extend loans to other cooperatives, because of the shortage of fund, so in the later half of 1972 a national federation called the "Thrift and Credit Cooperatives Federation of Thailand Limited" was organized to serve as a financing centre of its affiliates. Again, this federation is still in an unfavorable situation.

Consumer Cooperative

In 1937, the first Consumer Cooperative, Ltd. was established at Sena District, Ayuthya Province to help the rural consumers in their daily purchase of commodities. More cooperative stores have been established since that year. After the World War II, the consumer cooperatives were promoted to be organized both in rural and urban areas by the government to solve the problems of shortage of consumer goods.

In 1952 the Cooperative Wholesale Society of Thailand was organized for succeeding in direct purchase with producing sources, the affiliated retail societies could obtain help in the supply of commodities. Later on, its name was changed to the Cooperative Marketing and Purchasing Federation of Thailand, Ltd. (CMPF) on August 22, 1969. In 1976 CMPF splitted into Agricultural Cooperative Federation of Thailand. The Consumer Cooperative Federation of Thailand was organized for specialized functions on August 14, 1975 to serve as a centre of supply the goods to the members cooperatives, export and import, education and promoting member relationships among member societies, international cooperative institutions and all organizations which have similar goals and purposes.

At the end of December 1977 there were 160 Cooperative Stores with membership of 270,434 which can be classified by types as follows :

- 32 Government official cooperative stores with membership of 33,778, averaging 1,055 members per society.
- 30 University or college cooperative stores with membership of 40,486, averaging 1,349 members per society.

- 97 Cooperative Stores for general public with membership of 196,170 averaging 2,022 members per society.

During FY 1977, 17 consumers cooperatives were organized to serve 3,970 members with 1.9 million baht of share capital. It is evident that about, 60.63% of total number of consumer cooperatives are those for general public and their activities have been achieved a high degree of efficiency, especially in the operation of the large societies in Bangkok like the Phranakorn Cooperative store and the Krungthep Store. The following table will be shown the progress of consumer cooperatives during the past 5 years.

Unit : Million Baht

Year	No. of Societies	No. of Membership	Working Capital	Fund of Their Own	Current fund	Purchasing	Marketing	Net Profit
1972	106	129,830	66.55	37.07	24.07	253.97	271.67	9.36
1973	91	156,041	78.46	47.79	23.94	319.27	345.31	14.72
1974	99	132,386	115.47	64.44	30.73	342.17	479.88	20.89
1975	118	181,928	154.35	87.19	45.42	664.51	721.67	31.28
1976	115	214,803	219.89	110.72	64.34	859.38	931.22	38.78

Source : CLT

1 US Dollar = 20 Baht

In the case of the large Consumer Cooperative Stores like the Phranakorn Cooperative Store and the Krungthep Cooperative Store, their activities are very popular to their members and general public and have been receiving active support. At present the Phranakorn Cooperative Store has about 52,000 members and the membership is increasing at the rate of 500 member per month, and monthly sales turnover of 17 million baht. This store has planned to expand new branches in the out-skirts of Bangkok and nearby cities.

The consumer cooperative stores have received technical assistance from government agencies as supervisor and low cost credit from government to expand and promote their activities. Low cost credit,

Baht 40 million was appropriated by the government for these purposes during the past 3 years.

Problems of Consumer Cooperative

1. Unsuitable location.
2. Inedeguate funds.
3. Competition with stronger private business.
4. Limited in varieties of goods.
5. Lack of officient manager and Board of Directors.
6. Inefficient price control policy of the government.
7. Members lack of knowledge on cooperative principles among members.

In order to solve these problems the consumer cooperative stores and agencies concerned have planned to take action as follows :

1. To hold seminars and training courses for members, Board of Directors and employees of cooperative stores.
2. Provide members with several varieties of goods.
3. Sell at market price.
4. Find suitable location for the store building.
5. Government policy on cooperative promotion must be sound and steady.

Service Cooperative

Service Cooperatives were organized among rural and urban people to improve method of production, providing credit and marketing service and raising members' income through the principle of self help and mutual help. During FY 1977, 16 service cooperatives were organized with 840 members and 483,800 baht of share capital. About 400 new members were admitted to the cooperative during the year. At the end of December 31, 1977 there were 97 service cooperatives with a total membership of 29,156 persons, total turnover amounted 88.1 million baht and 4 million baht of net earnings. They are calssified as follows :

- 3 Housing Cooperatives with membership of 3,868 persons.
- 4 Electricity & Water Supply Cooperatives with a total membership of 2,112 persons.
- 58 Taxi and Microbus Cooperatives with membership of 12,239 persons.
- 30 Handicraft Cooperatives with membership of 9,859 persons.
- 1 Writers Cooperative with membership of 318 persons.
- 1 Printing Cooperative Federation with 3 member cooperatives.

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