

Year Book
of
Agricultural
Co-operation
1985



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YEAR BOOK OF
AGRICULTURAL CO-OPERATION
1985

edited

by

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and

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EDITORIAL

The Year Book of Agricultural Co-operation 1985 is the fifty-seventh edition. In this issue a wide-range of different forms of co-operation are again reviewed, and the experiences in both industrialised and developing countries are documented. A number of the articles included in this edition pay particular attention to the way in which co-operatives are promoted and developed.

Many are convinced of the benefits of co-operation and this conviction is reflected in the policies of governments throughout the world. The problem of translating the desire to create and develop effective co-operatives is one which very few can claim to have resolved in a totally satisfactory way. Attempts to create self-help organisations which are genuinely within the control of their members often fall short of the desired result, as the very process of external involvement in the co-operative development process can so easily create a dependency upon the promoting agency. Such dependency can ultimately, destroy the self-help ethic.

When examining the approaches which governments and other agencies take when seeking to promote co-operative development, there is a need to look for experience which illustrates how co-operatives can be best promoted and developed without creating dependency. The nature of the agencies involved in co-operative development often determines the ultimate success or failure of the co-operatives with which they are involved. Too often, the agencies concerned appear to be more interested in perpetuating their own existence and expansion rather than in pursuing the objective of the creation of independent co-operative organisations. The reasons why this happens needs to be examined carefully by those who wish to see genuine co-operative development take place. The method of funding, staffing and direction of such agencies needs to

come under continuing scrutiny. Unless co-operative development organisations have been structured in a way which allows for the co-operatives to become independent - and this usually means that the agencies themselves eventually need to come under the control of the co-operatives - then the staff of such organisations tend to see their own future prospects best served by maintaining co-operatives as dependents.

It is interesting to note that a charity, Alcoholics Anonymous, is to introduce a Bill into the British Parliament so that it can legally refuse to accept donations. This unprecedented move comes because the charity depends upon the self-help ethic being perpetuated by its 2,070 self-help groups which help their members, who are alcoholics, achieve sobriety by mutual assistance. It is their belief that the very acceptance of substantial sums of external funds destroys the basis of self-help within their organisation.

There would appear to be some lessons here for co-operatives, which are also based on self-help and mutual aid. For when external funds are pumped into co-operatives, particularly when provided at a level which is disproportionate to the contribution made by the members, it often results in a decline in self-help and eventually the co-operative fails. In seeking to develop co-operatives, the provision of external inputs, both in terms of advice, manpower and funds, should be made only in such a way which fosters an independent organisation in which the members continue to accept their obligations, responsibilities and sense of ownership.

Co-operatives can, when established, be a most hardy and resilient breed of organisation. However, during the formative years the conditions for their development need to be right, otherwise they can easily fail to reach maturity. This is commonly as much due to the over-supply or incorrect application of the assistance meant to stimulate growth, as

it is likely to be the result of a lack of resources. The right conditions for co-operative growth and development include appropriate legislation, and suitable development agencies providing advice, guidance and financial assistance in a measured and responsible form.

* * *

As the 1984 edition of the Year Book of Agricultural Co-operation was going to print, we were sadly informed of the death of Dr. Margaret Digby, C.B.E., who was an Honorary Trustee of the Plunkett Foundation, and its former Secretary and Editor of the Year Book for many years. It is, therefore, appropriate that this 1985 edition of the Year Book be dedicated to her memory.



Dr. Margaret Digby C.B.E.

DR MARGARET DIGBY C.B.E.

1902 - 1985

A TRIBUTE TO HER LIFE AND WORK

by John Morley, O.B.E. *

Margaret Digby had a fundamentally adventurous and artistic nature, and was the last person one might have expected to become identified with an institution; it is somewhat ironic therefore that it is by her association with the Plunkett Foundation that she should be chiefly remembered. This association originally came about because of a third element in her character, namely a highly developed social conscience. It led her, as a young woman, into work with the International Co-operative Women's Guild, in 1923, and, four years later, to the Horace Plunkett Foundation. She taught herself languages, she taught herself law and she taught herself the theory and practices of co-operation, to such good effect that in 1948 she collaborated with B.J. Surridge, who launched the co-operative movement in Cyprus, in producing the Manual of Co-operative Law and Practice which remains to this day the standard co-operative text book in developing countries throughout the world. Hers also was an important influence behind the Colonial Secretary, Creech Jones, in producing what was perhaps the most far-reaching of all Colonial Office despatches, that dealing with the setting up of co-operative departments in the governments of the then dependent territories.

Margaret had a profound knowledge of co-operative movements throughout the world, and she likewise enjoyed the trust and confidence of co-operators throughout the world, many of

* Honorary Trustee of the Plunkett Foundation for Co-operative Studies.

whom she had met on their home ground in the course of her extensive travels. She wore her vast knowledge lightly, and had for all who met her that ready sympathy which is the necessary precursor of friendship.

For fifty years Margaret worked for the Plunkett Foundation for Co-operative Studies, first as Research Assistant, then as Secretary for 33 years and finally as its Consultant for a further ten years until 1977, when she was made an honorary Trustee. By any standards hers is an exceptional record of service. The principal witness to it is an organisation which has grown and developed under her assiduous care into a body known and respected in co-operative circles throughout the world. Her name deserves to be remembered as long as the name of its Founder, Sir Horace Plunkett, the great Anglo-Irish agricultural co-operative pioneer, whose ideals she pursued with such single-mindedness throughout her long years of service to the cause of co-operation. Her association with the Plunkett Foundation was interrupted only once, during the Second World War when she became a temporary civil servant. But even in this capacity she was not wholly deflected from the interest nearest to her heart, for her job was concerned with the planning of post-war agricultural rehabilitation in the occupied countries. At the end of the War her work for U.N.R.A.A. took her to Washington and to Athens. In the years following the War, Margaret was already becoming acknowledged internationally as one of the leading authorities on co-operation.

Her memoirs, The Little Nut Tree, is the story of a working life, and reveals her great zest for life and people, her sense of humour and her artist's eye in descriptions of the places and people she discovered on her travels round the world - on foot and bicycle, by cart, coastal tramps, or trains, horseback and jeep. Like the great Victorian women travellers, neither the fact of being a female in a male world, nor lack of transport or roads, impeded her progress.

Carrying out the work of the Foundation with a very small staff, sometimes single-handed, involved her in constant and considerable travel throughout the world. In the 1930's she attended agricultural conferences in Prague and Berlin; went on a mission to Labrador for Sir William Grenfell to promote the co-operative organisation of fisheries; in 1933 she investigated co-operatives in Scandinavia and Russia before taking a holiday in Yugoslavia and Greece.

In 1939 she surveyed the co-operatives of the U.S.A. and Canada in three months on the sum of £100 which was all the Trustees could afford to allow her! The years after the war took her to North Africa and French colonial co-operatives. She gave lectures in Jerusalem, Cyprus, Tanzania, researched for FAO in India and Ceylon, attended a UN Fishery meeting in Naples, co-directed an ILO training course in Israel, set up another in Iran, and carried out an enquiry for ODA in the Caribbean. Many of these visits coincided with momentous world events, especially just before the War, so that, in addition to the astonishing number of writers, and reformers she met earlier - such as "AE", Bertrand Russell, the Webbs, Annie Besant, Margaret Llewelyn Davis, John Maynard Keynes, - she also came in contact with politicians and other notable figures of the time - Von Papen, Heydrich, Jan Masaryk, King Carol of Rumania, Julius Nyerere and many others. For two years in the 1950s she was a member, with Hugh Gaitskell and Anthony Crossland, of the important Independent Commission set up to enquire into the consumer co-operative movement.

None owes a greater debt of gratitude to Margaret Digby than the British agricultural co-operative movement, left largely leaderless and rudderless after the collapse of the English central organisation of 1924. Painfully and slowly it recovered its balance during the nineteen thirties and forties, helped at every stage by its one constant ally, the Plunkett Foundation. It was also mainly due to the contacts with co-operative bodies in continental Europe kept alive by the Foundation that, when the British agricultural

co-operatives were faced with the necessity of forging links with their counterpart organisations in the E.E.C., the whole process took place so smoothly.

Margaret Digby wrote or collaborated in writing more than three dozen books, and edited the Year Book soon after its inception until her retirement in 1967. In 1966 she was made an honorary M.A. of Exeter University and in 1980 a Doctor of Economic Science by the National University of Ireland - an honour which, because of her intense love of Ireland and the Irish, meant a great deal to her. She was awarded the OBE in 1950 and the CBE in 1978. She died peacefully on January 6th, 1985, at the age of 82.

LOCAL CO-OPERATIVE SUPPORT ORGANISATIONS IN BRITAIN:
AN ASSESSMENT OF THEIR EFFECTIVENESS IN DEVELOPING WORKER
CO-OPERATIVES

by Chris Cornforth *

Since the mid 1970s worker co-operatives have undergone a revival in the United Kingdom. Their numbers have grown from about 20 in 1975 to approximately 800 in mid 1984, and are probably nearing 1,000 today (1). One major factor in their growth has been the establishment of local co-operative support organisations (CSOs) in many parts of the country. These are organisations that have been established specifically to promote and develop co-operative enterprises, usually worker co-operatives, within a given locality. Local CSOs represent a new and innovative strategy for promoting and supporting worker co-operatives. The main focus of this paper is to describe and examine the work and impact of local CSOs and to begin to assess their strengths and weaknesses as a strategy for co-operative development (2).

The Background and Development of CSOs

The growth in local CSOs has been set against a background of economic recession and a rising tide of unemployment. Many local CSOs have been promoted as a means of creating new jobs, which has been important in mobilising support and legitimating the use of public resources. The first local CSOs were set up in Scotland and West Glamorgan in 1976 and 1980 respectively (3), both areas of high unemployment. They were established by local activists, for example, local councillors, voluntary and community workers, representatives from retail co-operative societies, trade

* Co-operatives Research Unit, Open University, U.K.

unions, housing co-operatives and so on. They first existed as voluntary associations, acting as pressure groups to obtain public funding to employ development workers.

The idea and information about local CSOs spread quite quickly from area to area, assisted by activists such as Alan Taylor of the Socialist and Environmental Resources Association who started a newsletter for CSOs and published various pamphlets (4), and by the national Co-operative Development Agency, a small Government agency set up to assist co-operatives. By the autumn of 1984 the number of CSOs had grown to just over 80. Of these 50 had full-time staff and about 30 existed as voluntary associations (5).

The funding for local CSOs has come almost exclusively from public funds, either from central government grants or directly from local government (6). As the central government grants are channeled through local government and have to have their backing, the support of local government has been crucial for CSOs to obtain funding.

Although some support for worker co-operatives has come from all the main political parties, at a local level it has been the Labour Party that has been most willing to support CSOs. The majority of funded CSOs are concentrated in the larger urban areas with Labour-controlled councils.

Approximately 80 percent of the funded CSOs are independent organisations, often called local co-operative development agencies (CDAs), with their staff answerable to an elected management committee. Typically, a management committee is composed of representatives from the local council, worker co-operatives and other interested organisations such as trade unions, and other co-operative organisations. In the remaining 20 percent of cases the local council has appointed its own co-operative development workers on to its own staff (7).

Funding for CDAs from central government grants is usually for a set period of three to five years, and funding from local government is usually subject to periodic review. Consequently, the future of CDAs is not guaranteed and is likely to be affected by cutbacks in government spending and by political changes.

The local CSOs cover a local authority area, either a district, borough or county depending on which level of local government they get their money from. There are four CSOs that cover a region. Excluding these regional CSOs, the average staff size of a CSO is 3.1 full-time workers, and they range in size from one part-time worker to eight full-time workers or their equivalents (8).

The work of local CSOs can usefully be divided into four main areas: promotional work, helping the formation of new co-operatives, servicing existing co-operatives and creating further infra-structure to help co-operatives. Each of these areas will be discussed in turn.

Promotional Work

In Britain worker co-operatives are still a very unusual and little known form of business, and CSOs are a relatively new feature among a range of business advisory services. In this context it is not surprising that promotional activities are an important part of the work of CSOs, particularly during their early years.

A majority of CSOs target quite a lot of their promotional work at the unemployed, and at other groups such as ethnic minorities, women, and youth that are felt to be disadvantaged in the labour market. The most obvious reason for this is that many CSOs have been set up to help with the problem of unemployment and to create new jobs, and CSO workers often feel that it is their job to work with those most in need of help. However, I believe that there is a second reason which is less visible and less obvious, but

one that is potentially of major importance for the worker co-operative movement and its advocates. Essentially, this reason is that forming a co-operative will not appeal to the majority of potential entrepreneurs. This argument has important implications for the strategy of co-operative support organisations and so I will examine it in some detail.

Both Abell, and Aldrich and Stern (9) have argued that the main reason for the small size of the worker co-operative sector is not because worker co-operatives perform poorly once established, but because too few are formed. They argue that it will not be in the interests of potential entrepreneurs to set up co-operatives because they will have to share the control of the enterprise and its economic rewards. As a result Abell, and Aldrich and Stern suggest that it is only certain groups that will be interested in setting up co-operatives.

Abell suggests that it will only be groups that have 'similar capital resources' and hold a 'marketable idea in common' that will begin to find co-operatives an attractive proposition. He concludes: "It is perhaps not surprising that industrial producer co-operatives seem often only to be of interest to groups of artisans or workers with similar skills and little capital" (10). This helps to explain why it is the unemployed and disadvantaged groups that are more likely to find worker co-operatives attractive. However, the danger for the worker co-operative movement and for CSOs is that if these are the main, or only, groups interested in forming co-operatives then worker co-operatives are likely to be restricted to marginal, low capital, labour intensive sectors and the economy.

Aldrich and Stern suggest other groups to whom co-operatives might appeal. They argue that three forms of incentive motivate people: material incentives, for example money; purposive incentives that derive from pursuing social objectives: and solidarity incentives that derive from the

pleasure of working with people who share common values (11). They argue that co-operatives are more likely to be attractive to entrepreneurs who belong to social movements that place a higher value on purposive and solidarity incentives than material incentives. Experience in Britain lends support to this view. The other groups that set up co-operatives have been young people influenced by the alternative and environmental movements that developed in the 1960s and 1970s, or business men that have been profoundly influenced by their religious beliefs (12).

This research has important implications for co-operative support organisation. I have already suggested that if CSOs confine their work to the unemployed and disadvantaged there is a danger that co-operatives will be limited to the economically marginal sectors of the economy. This suggests that CSOs should try to develop new strategies for attracting people to form co-operatives. One alternative would be to make links with other social movements and groups that share similar values and ideals to the co-operative movement, for example the labour movement, the alternative and 'green' movement, Christian groups, and voluntary and community organisations. Another alternative is suggested by the Mondragon co-operatives in Spain (13). The entrepreneurial process here has a number of distinctive features. Workers within existing co-operatives are encouraged to form new co-operatives and the entrepreneurial process is highly institutionalised, with the Central Bank being heavily involved in assessing the feasibility and helping to plan the new co-operative. In addition, the risk for the group forming the co-operative is reduced, because the Bank pays the salary of those doing the main work planning the co-operative and funds the new venture.

The Formation of New Co-operatives

Probably the major task of all CSOs, at least in their first years, is to work with groups to form new co-operatives. Co-operatives are formed in three ways. 'Conversion'

co-operatives are formed when the owner(s) of a healthy business decide to convert into a co-operative. 'Defensive' co-operatives are formed when workers set up a co-operative to defend or save their jobs when the business for which they work is due to close. 'New start' co-operatives are set up from scratch as new businesses. A recent survey of 38 CSOs showed that of the new co-operatives formed in their areas 90.5 percent were new 'new starts', 6.5 percent were 'defensive' co-operatives and 3 percent were 'conversions' (14).

'New Start' Co-operatives

All but a small minority of CSOs spend the majority of their time helping to form 'new start' co-operatives, and their approaches to development work have largely evolved in this context.

Development workers commonly distinguish between two approaches towards development work, which they call 'top-down' and 'bottom-up'(15). In 'top-down' development work the idea and initiative for forming the co-operative comes from the development worker, who then tries to attract people to form the co-operative. In 'bottom-up' development work the idea and initiative for forming the co-operative comes from the potential co-operators, who then seek the help of the development worker. The role of the development worker is to help the group set up the co-operative by helping them acquire the skills that they need and guiding them through the formation process.

The majority of development workers are very critical of 'top-down' approaches to development work and all but one or two CSOs say that they would not work this way. There are four main criticisms of top-down development work. First, that it is inefficient for development workers to be generating business ideas when these can be readily generated by members of the community themselves. Secondly, and most importantly, workers will not have the necessary

commitment and motivation towards making the co-operative succeed if the idea does not come from them. Thirdly, if the initiative and skills necessary to get the co-operative off the ground come from the development worker then there is a danger that the co-operative will become dependent on the worker. Fourthly, if the workers are not committed to the idea of a co-operative and are dependent on the development worker, or an appointed manager, it will be difficult to develop a system of democratic control.

Many groups wanting to form co-operatives require intensive and long-term support, as they have little or no previous experience of running their own business. In addition they face the added problem of having to learn to work co-operatively. Development work often takes between nine months and a year before a co-operative starts trading. The development process is usually organised around a series of meetings between the potential co-operators and the development worker. The meetings are used to help the group assess the feasibility of their co-operative and if feasible to help them develop a business plan and to implement it.

'Conversion' Co-operatives

There have only been about 30 'conversion' co-operatives formed during the recent wave of co-operative formations (16). Perhaps the most notable of these was when Ernest Bader, who was influenced by Christian Socialist beliefs, decided to give the company he owned to the workforce (17). The company Scott-Bader Commonwealth is a thriving chemical business. Ernest Bader also founded the organisation Democratic Integration in Industry (DEMINTRY), which later became the Industrial Common Ownership Movement (ICOM), to try to persuade other owners of businesses to follow his example.

The strategy of promoting 'conversion' co-operatives has been tried at various times by a number of other national co-operative support organisations for example, ICOM, the

Government-funded Co-operative Development Agency and Job Ownership Limited. However, the small number of conversions that have occurred to date suggest that it has limited appeal to the owners of British businesses. Only one local CSO has put much effort into this area, but has largely abandoned the strategy because of lack of response.

The significance of 'conversion' co-operatives has come from their relative size rather than the number of them. The majority of new worker co-operatives are very small. The average size is about 7 full-time and two part-time workers per co-operative (18). In comparison some of the conversions are very large, for example Scott-Bader employs over 300 workers.

'Defensive' Co-operatives

Although they constitute a relatively small proportion of the worker co-operative sector 'defensive' co-operatives have figured prominently in the news about the new wave of co-operatives formed since the 1970s. They first came to public attention when Tony Benn, then Industry Minister in the Labour Government, gave support and financial backing to KME, Scottish Daily News, and Triumph Meriden (19). Workers in all three of these companies had fought to resist their closure, and in all three cases they attempted to rescue the business as a whole. Scottish Daily News closed quite quickly, but the other two survived for a number of years even though they were both substantially under-capitalised. Tony Benn's involvement insured widespread press coverage and when they eventually failed they were widely written off as failures. Given their poor starting position and under-capitalisation this was hardly fair. However, they did offer various lessons to the co-operative movement and served as a warning about the difficulties of setting up large-scale rescue co-operatives.

Two local CSOs, in Scotland and Sheffield have deliberately tried to promote and develop 'defensive' co-operatives (20).

They have both promoted the idea to trade union leaders as a strategy for dealing with threatened business closures if more traditional methods of defence fail. In particular Sheffield has tried to develop close relations with trade unions and gives unemployed workers with traditional local skills a very high priority. In most cases, unlike the Benn co-operatives, the CSOs have only attempted to save parts of the previous business which have a good chance of being viable.

Experience in Scotland and Sheffield suggests that working to form 'defensive' co-operatives presents the development worker with additional problems and constraints to those found with 'new starts', which affect the process of development. In contrast to 'new starts', 'defensive' co-operatives have usually to be set up very quickly before either the business closes, customers are lost, the workforce disperses, or the premises and vital equipment are sold or dismantled. In Sheffield for instance several rescue attempts have not got off the ground because the CDA had inadequate warning and was unable to get the co-operative organised before the liquidator sold valuable assets. In addition, setting up 'defensive' co-operatives may involve substantial and complex negotiations with the owners of the business, or the liquidator, over the assets that the new co-operative would need. External finance also has to be negotiated, and for large businesses this can be very substantial. Another difference in larger 'defensive' co-operatives is that the development worker has to work more through workers' leaders and representatives than with the groups as a whole. The shortage of time, and the size of the co-operative, may also mean that the development worker has to have a much more direct involvement in setting up the co-operative than they would in 'bottom-up' development work with a small new co-operative.

Conversations with development workers in other CSOs suggests that these added difficulties have made many of them very cautious of promoting 'defensive' co-operatives.

In addition, some CSO workers feel that it would be difficult to develop co-operative working practices during the short and pressured formation period usually associated with developing defensive co-operatives. These problems and difficulties need to be set against the larger number of jobs that can often be created in 'defensive' co-operatives relative to 'new starts'.

Servicing Existing Co-operatives

As well as helping to create new co-operatives many CSOs also have as an objective to advise and help co-operatives that are already trading. Recently, as the number of co-operatives has grown, the question of what balance of support CSOs should give to the development of new co-operatives and servicing existing co-operatives has become an important issue for many development workers (21). A number of issues underlie this concern. Some agencies have found their workload has increased so that they have to make choices about who they help. Others were concerned that co-operatives they had helped to set up might fail without additional support. A few felt that helping existing co-operatives to consolidate and grow was more likely to create more and better jobs than helping form new co-operatives. CSOs have responded to this situation in different ways. Some have increased their services to existing co-operatives. Others have decided to focus their services primarily on forming new co-operatives. It is important that the different approaches are examined and discussed within the co-operative movement so that an informed debate about policy and practice around this important issue can take place.

Creating Further Infrastructure for Co-operatives

Theorists such as Vanek and Horvat (22), and observers of successful co-operative development in other countries such as Oakeshott and Thornley (23), argue that the development of a viable co-operative sector will depend on the

development of a comprehensive support structure. Many development workers in local CSOs appear to concur with this view and have been active in establishing further infra-structure to support co-operative development. The main initiatives have been in four areas: the provision of finance, premises, training and marketing services.

Obtaining finance is perceived as a very important problem by both co-operators and co-operative development workers (24). This is a common problem for many small businesses, but development workers suggested that it was particularly acute for many co-operatives because usually the people setting them up had few assets of their own that they could use to invest in the co-operatives or to secure external loans. As a result of persuasion from CSOs many of the larger labour-controlled councils have now set up special loan funds for co-operatives.

Relatively speaking these loan funds are quite small and vary in size from £25,000 to £1,000,000 (25). Some are administered by the local CSO, some by the council concerned, and in a few cases a separate organisation has been established to run the funds. Often it is a requirement of a loan that the co-operative agrees to regular monitoring by the local CSO. A number of development workers have reported problems concerned with trying to combine both monitoring and advisory roles, and a number of CSOs have tried to separate out these roles from each other. However, most are convinced that these funds have played an important part in the development of new co-operatives.

In common with many small businesses worker co-operatives often find it difficult to obtain suitable premises. As a response to this problem some CSOs have obtained large premises and divided them up so that they can be shared by a number of small co-operatives (26). These schemes have a number of advantages. Bringing the co-operatives together in one place encourages them to help each other, enables

them to share common resources and helps to sustain their identity as co-operatives. There are also potential advantages and disadvantages for the CSO. On the positive side having a lot of co-operatives in one place can mean that it is easier for the CSO to service their needs. On the negative side setting up and administering workshop schemes can take valuable time and resources and it also introduces the possibility of role conflict within the CSO in their capacity as landlord and adviser to co-operatives.

About 40 percent of the CSOs interviewed in a recent survey put on some form of training course for potential co-operators (27). The use of courses varies. Some use courses to introduce people to the idea of setting up a co-operative. Others use it to teach particular business skills. One CSO uses its course as an integral part of the development process with each group carrying out a feasibility study on its co-operative. Many development workers stress the importance of courses as a way of bringing co-operators together to learn from each other and to develop new skills. However, courses do have the disadvantage that they have to take place at fixed times. This can mean that it is difficult to match courses to the needs of the different groups that a CSO is working with who will usually be at different stages in their development process.

Some development workers have been concerned that there is a lack of marketing skills among many co-operatives. This view was supported by a recent survey (28). As a response some CSOs have recently established special marketing support for co-operatives. It is too early to evaluate the success of these schemes.

The Performance of Local CSOs

This section will examine the performance of local CSOs, in terms of co-operative and job creation. Such an analysis is important so that both policy-makers and practitioners have

a realistic idea of what can be expected from this form of co-operative development. There have been occasions when policy-makers have had unrealistic expectations of the job creation potential of CSOs. As a result they have put undue and sometimes damaging pressures on CSOs, which has resulted in some co-operatives being set up before they are ready or when they are not really viable. However, it should also be recognised that our analysis only focuses on one aspect of the performance of CSOs. The goals of many co-operators and CSOs go beyond those of simply creating new businesses and jobs; they are concerned with creating what they regard as better jobs and places of work, and pursuing broader social goals. In addition many individuals benefit from development work through developing confidence and new skills irrespective of whether or not they set up a successful co-operative. Any rounded evaluation of CSOs would also need to take these factors into account.

A recent survey showed that on average, taking all CSOs together, each worker in a CSO created 2.1 new co-operatives each year, although there were quite wide differences in performance (29). A number of factors were identified that might explain some of these differences. Performance of CSOs in smaller towns and rural areas tended to be lower than those in the larger urban areas. Some CSOs had put resources into developing community and housing co-operatives and other forms of community economic development. Some CSOs had concentrated on helping very disadvantaged groups.

In order to calculate the job creation rate for CSOs we need to know the average size of new co-operatives being formed. A previous study collected information on the size of co-operatives that four CSOs had helped to form (30). These co-operatives were between nought and three years old and their average size was five full-time workers. Assuming that on average these co-operatives will have grown slightly during their early years it is estimated that each new co-operative employs on average four workers. Based on this

estimate on average each worker in a CSO would help to create 8.4 new jobs each year. It is important to note however that these figures for co-operative and job creation take no account of subsequent job gains or losses through the expansion, contraction or failure of the co-operatives concerned, or the possibility that these jobs might displace other jobs elsewhere in the economy. These findings say nothing about the quality of the jobs created.

Some Lessons and Recommendations

1. Research (31) suggests that local co-operative support organisations have been a major factor in the growth of new worker co-operatives in the U.K., particularly since 1980. Much of the recent growth in the number of co-operatives formed has been concentrated in areas with CSOs.
2. As an institutional structure for supporting the worker co-operative sector local CSOs form a highly decentralised and weakly linked system. National and regional networks allow for sharing of some information and some co-ordination of activities, however, each CSO is locally controlled. This locally controlled and decentralised structure has both strengths and weaknesses. The strengths are:
 - a) The formation of many co-operatives requires intensive development work which is best carried out on a local basis so that there can be regular contact between the co-operative and the development worker.
 - b) It enables each local CSO to build up local knowledge and contacts among institutions such as banks, local authorities, trade unions and other business advisory agencies which can be very important in the development process.

- c) It can meet demands to form co-operatives in a large number of areas.
- d) It recognises the fact that it is local government that has been most responsive to the need to provide funds for co-operative development.

However, the system as it stands also has a number of weaknesses.

- a) The emphasis on 'bottom-up' development work with disadvantaged groups, coupled with the lack of financial resources, means that CSOs are primarily creating very small and labour-intensive co-operatives. This means that many co-operative are economically vulnerable and have to struggle to survive the first few years. It also means that it is very difficult to create an integrated system of co-operatives which could be more self-supporting.
- b) Local CSOs often do not have the skills and resources to deal with larger co-operatives.
- c) The small number of co-operatives in a given sector in a local area means that it is very difficult to pursue sectoral initiatives, such as joint marketing and purchasing, or inter-trading between co-operatives.
- d) There is a danger that effort is diluted by spreading resources so thinly across the country.

An important question for the future is how these weaknesses can be overcome. It is my view that the most promising approach would be to concentrate more resources at a regional level which could complement the work of local CSOs. A regional CSO could concentrate on promoting larger co-operatives and

developing a more integrated co-operative sector by promoting initiatives in industrial sectors that were particularly suited for the development of co-operatives. A regional CSO could also provide specialist back-up to local CSOs. In London the work of the Greater London Enterprise Board in conjunction with local CSOs suggests that this strategy holds much promise.

3. Most development workers stress that potential co-operators must be strongly committed to the idea of forming a co-operative if it is to succeed. They stress that this commitment is most likely to be generated if the initiative for forming the co-operatives comes from those that are to work in it, and that these workers should be actively involved in its formation.
4. It has recently been argued that perhaps the main barrier towards co-operative development is that co-operatives will not be attractive to potential entrepreneurs. In an essentially materialistic and individualistic culture the entrepreneur will have to share both the rewards and control of the enterprise if a co-operative is formed. If the worker co-operative sector is not to be restricted to the marginal labour-intensive sectors of the economy, it must think of ways of attracting entrepreneurial groups with the skills and experience to form more co-operatives in less marginal sectors of the economy.

Two potential strategies for overcoming this problem were presented. First it was suggested that co-operative entrepreneurs were more likely to come from groups that valued purposive and solidarity incentives above material incentives. It was suggested that the co-operative movement should try to create more links with other social movements, community, religious and political organisations that share

similar ideals and values in order to attract entrepreneurs. There is plenty of entrepreneurial talent around, for example in the voluntary, community and public sectors, that could be attracted towards co-operation. Secondly, it was suggested that the highly institutionalised approach to entrepreneurship adopted by the Mondragon co-operatives might also provide a model that could be applicable in Britain.

5. Creating larger, less economically marginal co-operatives will inevitably require more capital. The establishment of the necessary investment funds for co-operative development is vital. The most likely sources of these funds are the State or local community. Again Mondragon provides a model for how the resources of the local community can be used for investment in that community to create co-operative businesses. The feasibility of such a scheme will vary between countries depending on a variety of factors from banking laws to the local community culture. Equally it is important for any Government that is seriously committed to co-operative development to realise that setting up support organisations alone will not be enough; investment funds will need to be channeled into the sector if it is to grow and prosper.

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IN SUPPORT OF CO-OPERATIVES
CONTEMPORARY DEVELOPMENT IN MALTA

by Godfrey Baldacchino *

The Agricultural Sector

In Malta, the agricultural sector consists mainly of fragmented holdings where the holders of the individual plots are owners or tenants on long-term lease. The farms are traditionally and typically labour-intensive, due both to their size as well as other supply constraints. Among the latter, one must mention the lack of credit facilities and acute water shortages. On the positive side the factors that stand out are the resourcefulness and frugality of the Maltese farmer together with his traditional conservative individualism.

Within the marketing structure of Maltese agricultural goods, the role of the middleman between consumers and producers stands out as an important socio-economic variable in the determination of the feasibility of agricultural co-operatives. The middleman has close personal contacts with the farming community and his role is far from being conducive to co-operative marketing.

However, the strategic strength of the middleman in the market was heavily curtailed during the Second World War when the Government had to collect all the products in order to enforce a rationing system. This system acted as an eye opener for the Government and the farming community for while the profits of the farmers increased the market price of their products decreased. Both were thus convinced of

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the benefits that could be accrued from co-operatives.

It is within this context that the then Colonial Administration enacted the first legislation on co-operatives in 1946 soon after the end of the Second World War. It ushered in the first formal co-operative bodies in Malta intended to promote and encourage co-operative societies in the rural sector (1).

Development in Legislation

By virtue of this Ordinance, a Registrar of Co-operatives was set up, consisting of a government official who registered new co-operatives as well as supervised existing ones. This machinery remained intact until 1975 when further legislation was passed (2), defining in clearer terms the supportive role Government should play with respect to local co-operative movements.

Professional auditing was introduced for the first time and the discretionary powers of the Registrar of Co-operatives amply widened.

Legislation in 1978 (3) was radical and radically reformulated the rules regulating the formation of, and the aid to, existing and potential co-operative bodies. A Central Co-operative Board (CCB), falling under the Minister of Agriculture and Fisheries, was formalised with the task of regulating, supervising and strengthening existing co-operatives as well as promoting the formation of new ones. The CCB was created within the Ministry of Agriculture and Fisheries because of the hitherto close identification of local co-operatives with these primary economic sectors.

Co-operatives as a Positive Strategy

Thus Malta cannot boast of a large co-operative movement. The spirit of co-operation which somehow or other took

root in Europe was conspicuous by its absence. And once the co-operative movement was launched, as late as 1946, it became too much identified with the agriculture sector and it has remained so ever since.

This situation has now started to change gradually. It is becoming more apparent that the formation of worker co-operatives can be a viable strategy for a fractional but positive reduction of unemployment (4). With workers controlling their own enterprise, activities and resources, high quality and efficiency levels may be achieved on a par with those of established private enterprise and in some cases even better (5). A co-operative movement has in fact emerged on an international scale as a reaction to the current economic recession as official government policy or a grass-roots worker or peasant initiative (6). Small-scale industries, textiles and general services have proved to be the most popular employment sectors in which co-operatives have sprung up. Such a development also forms part of a broader world-wide movement towards a greater appreciation of the advantages of increased worker participation both in terms of socio-human variables (increased dignity, greater satisfaction, more democratic power structure) and of economic ones (greater productivity, less industrial conflict, more worker-management co-operation). The co-operative sector "could also become a clear alternative to large-scale private capitalism and bureaucratic state socialism" (7).

The Maltese Co-operative Sector

In Malta, such developments have also started taking place. The list of co-operative bodies (as at May 1985) (8) shows that a number of non-primary sector co-operatives has recently been set up. These are in many instances better organised and more genuinely co-operative in outlook and strategy than their longer-established counterparts, some of which have a serious lack of managerial and financial expertise. These recently established co-operatives owe

their existence to a combination of factors, namely:

1. The new supportive role of the present Labour Government. This is directly in terms of the technical and financial assistance in-built within the 1978 Act (9) and also in terms of Government policy. Such a support is also enshrined in Malta's Constitution. (10)
2. The renewed strategy of the CCB in becoming more actively involved in co-operative promotion.
3. The involvement of the Workers' Participation Development Centre (WPDC) in directing its educational programmes, research and consultancy facilities and services to the new emergent co-operative sectors.
4. The general supportive role of the trade union movement, in particular the General Workers' Union, which has recently proposed forms of worker control and worker participation to workers facing redundancies or involved in enterprises with serious difficulties. (11)
5. These new initiatives are being made in the context of current, large-scale unemployment and coincide with efforts to integrate higher educational institutions more closely into the socio-economic development of the country.

TABLE 1

Registered Co-operatives in Malta (May 1985)

	<u>Sector</u>	<u>Membership</u>
Gozo Milk & Agricultural Co-operative	Agriculture	1,068
Agricultural & Trading Co-operative Society	"	645
Rabat Farmers Co-operative Society	"	302
The Fisheries Co-operative	Fisheries	215
Milk Producers' Co-operative	Agriculture	214
Pig Producers' Co-operative	"	181
Dingli Farmers' Co-operative Society	"	103
St. Paul's Bay Farmers' Co-operative	"	77
Farmers' Wine Co-operative Society	"	75
Siggiewi Farmers' Co-operative Society	"	74
Mgarr Farmers' Co-operative Society	"	63
Zebbug Farmers' Co-operative Society	"	57
Zabbar Farmers' Co-operative Society	"	41
Qormi Farmers' Co-operative Society	"	40
MAS Co-operative	"	20
Stevedores' Co-operative	Service	15
Farmers' Central Co-operative Society	"	2nd level co-operative

Recently established co-operatives

Catering Co-operative Ltd.(est.1984)	Catering Service	23
Co-operative Maintenance Services Ltd. (1983)	Skilled Service	9
First Clothing Co-operative (est.1983)	Textile	26
Kordin Clothing Co-operative (est.1983)	"	26

The Supportive Role of the Workers' Participation Development Centre

The Workers' Participation Development Centre (WPDC) was established at the University of Malta in 1981. It operates within the broad area of industrial relations. More specifically, it seeks to support and promote the process of workers' participation and co-operation within the Maltese economy and within society as a whole.

The principle of workers' participation is envisaged as being an effective strategy for national development through the social and economic emancipation and advancement of working men and women - more so for a newly-independent and developing country like Malta, undergoing a slow cultural and economic transition from colonialism to self-reliance (12). The principle of workers' participation finds practical expression as full self-management such as in Malta's largest industry, The Drydocks. It also manifests itself in the co-operative sector and a handful of other enterprises (13).

The movement for workers' co-operatives and that of workers' participation have much in common - in fact they may be regarded as two sides of the same coin. The promotion of producer co-operatives in various areas has been identified by the WPDC among its important objectives. Thus in close collaboration with the Board of Co-operatives it embarked on a long term project of education for co-operative development.

Education for Co-operatives

With the general objectives in mind, the WPDC got involved in a long-term project of co-operative development in collaboration with the CCB. In practice, this project involves the provision of specialised technical and general co-operative education courses, both for actual and for potential co-operative members. The WPDC also offers its

consultancy services on worker co-operatives and a booklet on Maltese co-operatives has just been published for onward transmission to co-operative course participants, interested Maltese workers at large and in particular, secondary and trade school students (14). In addition, university students in the Faculty of Management Studies are being encouraged and assisted to undertake research assignments on subjects in the field of Maltese co-operatives. To date, two dissertations have been finalised, apart from various other short assignments. They consist of case studies of two agricultural co-operatives, and they have identified in the process of research and analysis serious issues still unresolved in the strategy and organisation of these co-operatives (15). One staff member of the WPDC was also on secondment for some time with the Board of Co-operatives where he acted as animator to a group of youths who eventually set up a service co-operative (Co-operative Maintenance Service Ltd.)

Among the recent WPDC/CCB Educational activities, the following may be mentioned:

Seminars on co-operatives are organised from time to time with the aim of promoting producer co-operatives. These seminars are aimed at all those interested in the formation of new co-operatives. The costs and benefits which may accompany such ventures are discussed on these occasions on experience of existing co-operatives. One such seminar was held to assist small egg producers, faced by a glut in the local market and by a cartel of big producers, to form their own co-operative so as to exploit the advantage of solidarity and of economies of scale. In 1985, a week's course on agricultural co-operatives was also held for a group of teenage agricultural students who will eventually be forming an agricultural co-operative with the backing and assistance of the CCB and the Ministry of Agriculture and Fisheries.

Plans are being made for the organisation of technical courses of training for personnel of the existing co-operatives. Educational material is also being developed for use in these programmes.

In these and forthcoming activities, the WPDC/CCB appreciate the vital contribution of audio-visual and modern educational techniques to make the learning experience more interesting and therefore more effective. Video tapes of co-operative experiments abroad, various journals and publications on co-operatives and the use of a video camera to examine the group dynamics of co-operative members have been already employed.

These initiatives are intended to support and promote the local co-operative sectors, which offer good prospects of development, both because of the possibilities of increased worker involvement and of their potential generation of new employment opportunities, the latter being a top national priority at the moment.

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WHY INDUSTRIAL CO-OPERATIVES IN THE THIRD WORLD FAIL

by F.A. Ryan *

The causes of failure of industrial co-operatives in the Third World may be summed up under ten broad heads which are:

1. ignorance and backwardness of the people;
2. general poor economic development;
3. vested interests of some of the members;
4. outside interference in the working of the society;
5. neglect of the business aspect of the society;
6. inadequate or wrong techniques;
7. inadequate finance;
8. red tapism;
9. ignorance and indifference of the departmental staff;
10. the wrong approach of the government departmental staff in charge of registration and supervision of societies.

1. Ignorance and Backwardness of the People

One of the essential requisites for the successful working of any co-operative society is the education of its members; not so much general education which no

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doubt is good, but education regarding co-operative principles, practices, means and methods. This requisite, however, is badly neglected.

How much is done for training members in the ideals and practice of co-operation, in team spirit and the art of business management?

In 1958, about 150 miles from Bombay in a place called Navasari, a batch of 30 officers who were being trained to organise industrial co-operatives in rural areas came across a few families engaged in basket making. The local officer who accompanied them told them that the basket makers had submitted by-laws to the Co-operative Department for registering themselves as a co-operative society.

The officers under training wanted to find out how much these would-be co-operators knew about co-operation. They therefore met them in their huts in groups and put to them a few simple questions. Given below are some of the questions put and the answers to them:

Question 1 Why are you forming a co-operative society?

Answer Because Shri Khelker (the local officer) told us that Government will give us plenty of money if we do so.

Question 2 How will you get the money from the Government? Will you go to the post office and draw it?

Answer No. Mr. Khelker will bring it from the Co-operative Department head office at Poona.

Question 3 Who will manage the society? When it is formed?

Answer Shri Munshi.

These answers show how ignorant the members were what a co-operative society stood for and how it was run. Will a society formed with such poor knowledge of co-operation ever succeed?

Added to ignorance is the backwardness of the people. A representative example of the backwardness of people for whom often co-operatives are attempted may be given. Some time ago a census officer went into a village in one of the developing countries to collect statistics. As he was leaving the village groups of people followed him and said that they had all given wrong ages by mistake and requested the officer to have them corrected. When the officer investigated the mystery of this he discovered that a rumour had gone round the village that all those who had given their age above 60 were to be killed because of over-population in the area. Are people who are so backward mature enough for co-operation? Should not something be done to salvage prospective co-operators from such ignorance even before forming them into co-operatives?

There is indeed no quick solution to the backwardness of people. Intensive programmes for basic education can help. However backward people are, they can be, with patience or perseverance, taught the art of co-operation. The following ways of educating them may be tried:

- a) The artisans of the rural parts may be gathered and told how they can organise themselves into a co-operative society. How union is strength and how a co-operative can give added strength to

individuals. This may be illustrated with examples of how people in other villages have benefited by forming co-operative societies. If they show some interest in forming a society they may be educated further, stage by stage, in three or four meetings.

- b) If the extension officer or organiser of the Co-operative Department does not find the time to do this he may ask local leaders to give the artisans this education. For this purpose the teacher himself should be provided with the basic literature on the subject and made to get into friendly touch with the Co-operative Department or retired co-operative officials. But of course the teacher should be one who commands a fair degree of respect and trust among the villagers. He may impart instructions and draw out their capacities in a night school or adult literacy class going on in the village. Teachers in rural areas can indeed do much to spread correct ideas of co-operation amongst the rural masses.
- c) If social workers or college students happen to visit the village they may be requested to collect the artisans of the village and give them talks on co-operation; talks which deal with their everyday economic problems and the co-operative way of overcoming them.

After such a grounding is given, the principles, practices, rules and regulations of an industrial co-operative society may be explained in a simple way. The people will then be prepared for a co-operative before a society is registered for them.

2. Poor Economic Development

The minimum number of members engaged in actual production in any industrial co-operative society is

usually ten. Generally it would be good to have between 20 and 30 members in a society so that it can constitute an economic unit. But commodities manufactured by about 20 members regularly cannot always be marketed within the village or even in its neighbourhood. Villages do not generally provide a good market for industrial goods produced in an organised manner. A village may be good enough to absorb the products of one or two blacksmiths, one or two carpenters, or one or two leather workers. But if as many as twenty of these undertake to produce large quantities of industrial goods, the market for them can only be found in a neighbouring town or other consumer centres. However, such promising markets may not be also at hand on account of the poor economic development of the village and its neighbourhood. This difficulty can however be overcome if the industrial co-operative produces articles which are required by large factories. A cycle factory, for instance, can be induced to give the society contracts for the manufacture of some of the cycle parts. Alternatively, an handicrafts emporium or an industrial sales depot could be persuaded to order its requirements from the industrial co-operative. A more easy approach would be to get schools, offices and other establishments to order their requirements from the industrial co-operative. Building contractors who construct private houses or public buildings may be persuaded to give the society orders for their requirements of bricks, doors, windows, etc. Thus, the disadvantages of the poor economic development of the neighbourhood can be overcome by securing markets for products in advance. But of course the society can undertake the manufacturing of only those goods for the production of which the members have the necessary skills.

3. Vested Interests of Some of the Members

In some industrial co-operatives men who have interests of their own get in, and when this happens, the society

neglects the interests of the workers.

In one developing country about 50 or 60 proprietorship concerns engaged in the manufacture of light industrial goods could not get licences for their raw materials. They formed themselves into a co-operative society so as to get these raw materials with the aid of Government. The proprietors and partners were interested in themselves and not in their employees. Their workers continue to remain wage earners and neither own nor manage the society. Whither co-operation?

Yet another illustration in this regard is the tanning factory in another developing country. The proprietor wanted to convert his factory into a co-operative society so as to secure government loans and grants. When his proposal was examined it was found that he had no repaying capacity. Such a society if registered is likely to go into liquidation and government might lose its money.

There are many bogus units which capitalise on the subsidy paid by the Government. For instance, the subsidy of Rs.10 paid to a Janata sari of 40 counts to cover the difference between the price at which it is sold to the consumer (Rs.18) and its cost of production (Rs. 28) has inspired the organisation of bogus societies in India which exist only on paper. These societies were registered by officials of the Co-operative Department without proper investigation.

If vested interests are to be kept out or curbed the promoter of the society will have to be on his guard. He has to study each and every prospective member, particularly those who figure prominently in the meetings and discussions. He has to find out the business, financial position and plans of such lively participants. If they are suspected of having an axe

to grind they should not be admitted into the society. A co-operative society is not meant for selfish people. They should be completely excluded; but sometimes individual proprietors do come with a genuine desire to help their workers. They join hands with their employees and seek registration as co-operative society for the common good. They provide the bulk of the capital of the institution; they even share their equipment; in any case they place their business talent at the disposal of the society.

4. Outside Interference

Interference of social workers and politicians in the working of co-operative societies is one of the annoying factors that holds industrial co-operatives back. Such outside interference is very conspicuously seen in some of the backward areas.

In a certain developing country there was a tanners' co-operative society which was defunct. Investigations revealed that the society had started very well and had a good turnover of business. Subsequently, a certain political worker of the place who happened to be the chairman of the board of trustees of a local high school became the chairman of the society. He diverted RS. 14,000 which the society had built up as its reserve fund toward the expansion of the high school. For five or six years no portion of the borrowed money was repaid to the society by the school and in the meantime, the society which faced unforeseen business difficulties collapsed for want of funds.

Such unfortunate outside interference in co-operatives can be eliminated only as and when politicians and social workers develop a better sense of rectitude. However, the members of the society may be instructed to be on their guard against such dangers. Their office-bearers should be advised and given moral

support to resist such interference. They may also be advised to seek the help of co-operative officials or higher authorities whenever they scent such a danger.

5. Neglect of the Business Aspect of the Society

The aspect that requires the maximum attention and most careful scrutiny in a co-operative society, particularly of an industrial society, is the business aspect, and yet, it is this that is most neglected in many industrial societies. Those engaged in the development and promotion of co-operatives do not seem to realise the importance of the business aspect.

The author remembers a bamboo workers' training school in a village in a developing country. The school was started by the Cottage Industries Department of the State and 20 lads were under-going training for making tables and chairs with bamboos. Asked what the trainees were expected to do after the training, the instructor who was in charge explained that they were all admitted on the condition that they would form themselves into a co-operative society on the completion of their training. Further, the following questions were put to the instructor:

- a) Is there a market in this village for bamboo furniture that is to be made by a co-operative society of these 20 lads? No.
- b) Is there any commercial centre nearby where the furniture can be sold? No.
- c) Can the furniture be sent to the State HQs for sale at the market price prevailing there? No.

It was clear from these answers that the society that was to be formed there would never succeed. What was amazing was that the area to which this village

belonged was a fruit growing area and many businessmen sent fruits to far away places from there. The bamboo baskets that were being used to pack the fruits were being purchased from outside the area. Had only a society been organised in that village for making baskets it would have had a good business. But this idea, it seems, had never occurred to the organisers of the training school. Business was not their consideration. All that they wanted was to train lads in making bamboo furniture.

Another interesting instance was given by a travelling U.N. expert. When he had been to a certain country in Africa, he was taken to a co-operative cotton ginnery in an area where no cotton was grown. When he asked the local officer who accompanied him why the factory was located there when cotton was not grown there it seems he was told, when people see a fine cotton ginnery at their service they will begin to cultivate cotton around it. What is more interesting is that the local officer explained such a plan as the "Incentive Production Plan".

Whenever, therefore, any industrial society is suggested to the people, they must be advised to examine the business aspect of the proposal. The organiser should also study it himself along with them and only if the society has reasonable chances of success as a business unit should the necessary encouragement and push be given.

6. Inadequate or Wrong Techniques

An industrial society is essentially a business which involves technical knowledge. For forming such a society not only is a knowledge of co-operation required but also the technical know-how of the proposed industry is needed. But most organisers of industrial co-operatives are not technical men.

Therefore the scheme of any industrial co-operative should be examined both by the co-operative and the industrial departments.

A co-operative field organiser or an extension officer (industries) going into a village for organising an industrial society for carpenters does not usually know about the improved hand tools that can be given to the village carpenters to increase productivity. He is not in a position to advise that a "Wheel and handle drill" can do four times more work than a "Bow and arrow drill" in a given time. Nor is he in a position to advise about the right type of wood, nails, glue, etc., that should be used. He takes it for granted that the man in the trade knows all about it. This, however, is not always true. Very often, they only know what their fathers and grandfathers did. Therefore attempts should be made by the extension officer or the promoters of the society to give the artisans the right technical know-how.

7. Inadequate Finance

An industrial co-operative business is more complicated than that of most other co-operatives. Raw material may have to be purchased in bulk; wages will have to be paid; the products will have to be advertised, they will have to be transported to marketing centres; they may have to wait until prices rise in the market. All this requires money. Unfortunately, under the prevailing co-operative practice, co-operative societies can borrow only about six times their owned capital although under the bylaws, a maximum of eight or ten times is usually allowed in most developing countries. Credit at six times the owned funds is often inadequate for the successful working of an industrial society.

In 1957 attempts were made to organise a co-operative society for making hand-carts in a developing country for craftsmen who were engaged in the industry already. They were 20 in number and were in a position to contribute only about Rs. 10 each or about Rs. 200 in all. The bank was willing to lend them only about Rs. 1,200 which made a total of Rs. 1,400. This was obviously inadequate for a co-operative society of 20 carpenters and therefore the society could not be registered.

In yet another developing country there was a co-operative society of broom makers. It was organised well and started off with good business. But unfortunately it did not have a competent man to render it voluntary service. It had therefore to appoint an outsider as a clerk to attend to the routine correspondence and maintain the account books; but it could not do so for want of funds. Want of funds to maintain a clerk ultimately brought the society to liquidation.

Before a cottage or a small industry on a co-operative basis is promoted it is necessary to estimate how much money roughly the society would require to work as an economic unit and to provide at least a living wage to its members. For instance, in India it has been calculated that to run a hand-loom weavers co-operative society with 50 members, each member should take a share of at least Rs. 50 in the society to make it an economic unit. A similar minimum of owned capital will be needed for every type of society. This bare minimum will have to be estimated. In doing so, of course, one can reckon on about six times the shares being borrowed from the co-operative financing bank.

If the proposed members are not in a position to take the minimum shares required they must be helped to raise that amount. For raising certain industries

co-operatively, government help the proposed members with loans for taking share capital in the society. but this facility is not available to all industries in all developing countries.

In some of the countries in recent years the government themselves take a few shares in certain industrial societies with a view to giving them the financial strength required to raise adequate loans from financing banks.

Social workers in rural areas sometimes dole out money to the members of proposed co-operative societies with a view to helping them to take shares in the society. This savours of charity; and the members will regard the help as a gift and hope for similar gifts in the future. They should be taught to rely on themselves, for self-help is the best form of help. For this purpose they should pay their capital out of their own savings. Where this is not possible they may be helped with loans. Only if they realise that their hard-earned money or borrowed money is paid into the society as shares will they take the desired interest in the working of the society.

If the members cannot be helped with loans to take shares, the best way would be to induce the proposed members to save by cultivating in them habits of thrift. This of course is not very easy. Still, one can find ways and means of giving incentives to the villagers to save what little they can. The following is one of such ways which has succeeded in many villages.

All the proposed members of the society may be given a small dumb box (hundi box) each. The boxes may be locked before they are distributed and their keys may be held by the society. The members may be asked to gather with their boxes every Saturday with their

week's savings in it. The collections in each box could be counted in the presence of its owner and to it an equal amount of any help available from social workers or philanthropists may be added. The total thus arrived at may be credited to the account of the member and the empty box returned to him for the next week's savings. This may be repeated till the proposed members have to their credit enough money to take the prescribed shares in the society. The society may commence business thereafter.

8. Red-tapism

Another factor which hampers the growth of industrial co-operatives is red-tapism. There is no easy solution to this problem. One of the best ways of overcoming red-tapism will perhaps be to try and work the society as independent of government aid as possible. Where government aid cannot be avoided, however, personal touch with the departmental staff may help to cut out red tape. Sometimes delays occur for want of certain basic information or due to the failure to conform to certain requirements of co-operative law. Here again, if matters are left to correspondence, the delays will only be prolonged. Personal contacts with the officers concerned is the way out.

9. Ignorance and Indifference of the Departmental Staff

In considering the factors that hold industrial co-operatives back we cannot fail to take into account the ignorance and indifference of the staff of the departments concerned. Until ten or twelve years ago most government departments were very small compared to what they are now. There were a limited number of experienced hands in the departments. But during the past few years, due to the Five Year Plans, aid projects, and the very many other development programmes, most of the government departments have

grown to two or three times their original size in many developing countries. The expansion was made to a large extent by recruiting new bands, most of them freshers from school. The recruits were in some cases given a brief and inadequate training with more emphasis on the theory of co-operation than on its practice. As a result of this the officers who are in the field today are ignorant of the policies, practices, rules and regulations of co-operation.

Besides ignorance, indifference is yet another vital factor. Most co-operative officials and field workers do not care whether a society works well or goes into liquidation. Under co-operative law every society has to be audited by a departmental inspector at least once a year. And yet many societies in many development countries are not audited for years together. Negligence is conspicuous in some countries.

Preparation of the by-laws of the society is also a good example. There are ready-made by-laws for every form of society available with the ILO. If a society is to be made fool-proof and profitable many details or clauses will have to be added on to the ready-made by-laws. It may be necessary sometimes to set aside the printed model by-laws and completely re-write by hand the by-laws of a society. But not one out of a hundred departmental staff takes so much trouble in preparing the by-laws. They say that it is not their business to do so and leave it entirely in the hands of the promoters of the society. They do not even bother to advise or guide the promoters when the by-laws are under preparation. They are only concerned with getting five copies of the by-laws and certain basic information to have the society registered.

Extension workers or co-operative organisers who are expected to work with a missionary zeal should not go about their work with such a spirit. Whenever an

industry is thought of, they must investigate and gather information and tips from their head office and from outside agencies regarding the proposed industry. For instance, if a co-operative society is suggested for making postal envelopes, information such as the following will have to be obtained from various sources and passed on to the prospective members:

- a) Are any simple machines available for making envelopes? At what price? Where can they be had?
- b) What is the size of the smallest economic unit?
- c) Do the members require training for making envelopes?
- d) If so, where can the training be given?
- e) Are there government centres to give free training?
- f) What is the type of paper that is usually used for making envelopes?
- g) In what quantities are they to be purchased and at what price?
- h) Is it possible to see a small envelope-making unit working? Where?

The above and much more similar information will have to be gathered from various sources. For particulars regarding paper, merchants will have to be contacted directly and for particulars regarding training the State Industries Department or perhaps some private training schools will have to be contacted.

Co-operative departments sometimes have special credit facilities for certain types of industries. They may

give special loans or grants for backward people, or they may undertake to give free training to the artisans. In these special rules and regulations there are repeated changes and modifications nowadays which are not likely to reach the village level. There is inadequate communication in most government departments. The extension officers should therefore keep their eyes and ears wide open for such rules and regulations and changes. If information is not sent to them by their head office, they should call for information from time to time. Only then can they discharge their duties successfully.

10. The Wrong Approach of the Government Departmental Staff in Charge of Registration and Supervision of Societies

Finally, it has to be stressed that the co-operative movement is a people's movement. The initiative for a co-operative society should therefore come from the people. Societies should not be imposed on them by government officials. And yet many officials of departments which are entrusted with the task of promoting and supervising industrial co-operatives set targets for the number of societies to be started in the State during a given period and organise societies to hit these targets. Societies organised with the primary object of hitting targets are likely to suffer in efficiency.

Peru is a case in point in the field of agrarian co-operatives. The biggest mistake of this Latin American country seems to have been the taking of some ten million acres of coastal plantations and highland ranches out of the hands of a tiny elite and transforming them into peasant co-operatives. The peasants who were neither prepared to leave their home settlement nor for co-operatives or self-management could not produce the results anticipated by the Government. As a result between 1970 and 1980, per capita agricultural production fell by nearly 40 percent.

Some of the schemes prepared by the staff of the industries or co-operative departments are training-cum-production centres. A training-cum-production industrial co-operative has little chance of success because when members are trained in the manufacture of goods much raw material will be wasted, and several of the goods produced by the trainees will not command a market. A training unit is therefore a liability for a co-operative society which is a business institution. But a society may survive if just a small percentage of trainees are associated as nominal members with a large number of skilled producers.

Rural artisans should also be taught to make a cautious approach to industrial co-operatives. When a co-operative field organiser enters a village and tells the people that he is going to organise a co-operative society for them and if they join the society he will get them this or that assistance from the Government, people should not jump at the idea. They should first find out if the required leadership, share capital, managerial ability, raw materials, markets etc., are all available. They should ask for a society only when they are convinced about the reasonable chances of its success. Social workers and village leaders can educate people on this matter.

Some of the chief factors that hold industrial co-operatives back have been outlined and a few ways of overcoming them have been indicated. The picture presented in this chapter is rather pessimistic. But to know the pitfalls is to avoid them. When industrial co-operatives are started and run clear of the pitfalls their chances of success are bright. And when they succeed the blessings they impart are manifold. Employment will be provided for the unemployed or the under-employed; the employees will not work under an outside management but will work

under a management of their choice; each of them will have an equal voice in the administration of the society and a share in its profits. Above all the society will inculcate the principles of self-help and mutual help under which each member will realise that his own welfare is linked closely with the welfare of the rest of the members associated with him in the society. Co-operation is indeed the most appropriate form of organisation for the poorest of the poor.

THE ROLE OF CO-OPERATIVES IN RURAL WORKERS' ORGANISATIONS

by Elizabeth Goodson *

Even in the most economically advanced countries the agricultural workers have been the last to be organised. They have been the most exploited and neglected of all workers. It is only in a very few countries that the agricultural worker enjoys the same or similar conditions and benefits as the workers in the industrial and service sectors.

Mechanisation and advanced technology has impinged tremendously on the traditional system of production and has changed the labour force. Thus in industrialised countries there is a trend to merge the landworkers' unions with other branches. However, in the developing countries where the backbone of the economy is still the agricultural sector, there is to be found the most exploited and neglected social group. As pinpointed by the International Labour Organisation (ILO), "The majority of the world's poor are rural workers, whether they be wage earners, self-employed subsistence owner-occupiers or landless labourers".

Another U.N. agency, the Food and Agricultural Organisation (FAO), in a recent study revealed that 1,340 million out of some 2,000 million people in 68 developing countries live in the rural areas. Nearly half of them, i.e. over 500 million, are poverty-stricken and unable to meet their basic needs for survival, such as food, clothing, housing, education, medical services.

Both ILO and FAO increasingly recognise that the improvements in the living and working conditions of these

* International Federation of Plantation, Agricultural and Allied Workers, Geneva.

millions of workers depend largely upon the extent to which they can be mobilised, both to help themselves and to contribute to national development.

The answer is, then, the organisation of the rural workers into powerful and viable workers' organisations capable of representing them at all levels and to protect and promote their rights and interests with their active and responsible participation, both socially and economically.

IFPAAW

It was with this background that the International Federation of Plantation, Agricultural and Allied Workers (IFPAAW) was created in 1959 after the merger of the long-existing International Federation of Agricultural Workers and the International Federation of Plantation Workers of the International Confederation of Free Trade Unions (ICFTU). Its present strength of six million members organised in more than 100 unions in 55 countries in Africa, Americas, Asia, Caribbean and Europe, is clearly the outcome of long years of struggle to give basic rights to one of the most impoverished and exploited sectors of society. The objective of IFPAAW is to combat this exploitation of the workers in the rural sector and to aid them in their struggle for recognition of their right to form independent trade unions, to bargain collectively and to actively and responsibly participate in the decision-making process in socio-economic development. It is to this end that co-operative action has an important role to play in providing the basis for democratic participation in improving the economic viability of both the rural workers' organisations and the members through special services and co-operative action.

Co-operative Activities

As part of the on-going programme to strengthen rural

workers' organisations, training in co-operative activities is encouraged, especially to improve the living and working conditions of the self-employed group (small, medium-size farmers who do not employ permanent labour, tenants, sharecroppers, landless peasants). Through the trade union training programmes, seminars, workshops, meetings organised at local, national and international level to train leadership, the rural workers identify their own problems and develop activities to solve their economic problems.

Subjects dealt with vary in accordance with the type of training course and the ability of the participants. They are related to the socio-economic problems of the rural workers; the need of a strong and viable trade union organisation: trade union structure, constitution, function, principles, objectives, finance, administration, legislation, socio-economic situation including co-operative type activities.

In this respect, various organisations have initiated their own workers' education programmes and activities. IFPAAW itself has been able to establish in South India a Rural Workers' Education Centre (IRWEC) which is at the service of all IFPAAW affiliates in the region. The duration of courses range from two days to three months. Regular evaluations are carried out in the field to measure the impact and assess the degree of involvement of participants and the organisations.

For instance, in South India through the educational programmes the rural workers' organisations are now informed on government development programmes and how they can obtain benefits through co-operative action which previously were out of their reach. Garment-production co-operatives, spinning, home-based cottage industries, goat-raising and other types of co-operative activities have been organised by participants in the different organisation. Since the lowest income group has traditionally been excluded from

society, these co-operative activities have given a new dimension and quality to the daily lives of workers who normally only had three to four months' work per year and lived in extreme poverty and despair.

In Latin America, the rural workers' organisations which have participated in the workers' education programmes have been able to develop workers' co-operatives. For example in Honduras, one of the IFPAAW affiliates has over 300 co-operatives in its rural workers' federation in the areas of agricultural production and marketing. Through special programmes for women, tailoring training and co-operative-type activities such as farming, chicken and pig raising, and the making of handicrafts have been instituted. Some unions have negotiated land with employers to provide housing co-operatives for their members.

Africa presents its own particular problems, especially because of drought, and the emphasis many governments have placed on export crops to the detriment of local food production in order to meet their foreign currency demand. In Ghana special emphasis was placed on the strengthening of the rural workers' division of the IFPAAW affiliate. This was done through an IFPAAW-ILO project to encourage co-operative-type servicing to the self-employed sector in the form of cost-price tools and the setting up of co-operative marketing facilities. These efforts have always been accompanied by awareness programmes to develop democratic principles in leadership and the importance of the organisation to maintain an economic viability within the country.

Thus as a part of the IFPAAW approach in strengthening rural workers' organisations throughout the world the following areas of interest go hand in hand: workers' education, vocational training where appropriate, occupational safety, health and environment, socio-economic activities on a co-operative basis, collective bargaining. If a change is to occur in society, it must come from the people themselves.

The struggle of IFPAAW and its affiliated organisations is to strengthen rural workers' organisations in order for them to improve the current situation in the agrarian sector. If the world is to be fed adequately, those who grow the produce must also eat and feed their families. Thus there is the need for recognition by governments of freedom of association, democratic principles and ways and means of allowing rural workers to create their own organisations whereby they can improve their economic conditions. And, of course, this is where co-operative servicing through collective action strengthens the rural workers' organisations through answering the immediate needs of their members, whether through consumer, producer, marketing, housing or credit co-operative activities.

PARTICIPATORY DEVELOPMENT THROUGH COMMUNITY-CO-OPERATIVE
INTERACTION

by Yair Levi *

This paper addresses the issue of participatory development as seen from a perspective of interaction between the community and the co-operatives. 'Participatory Development Through Community-Co-operative Interaction' was the title of the CIRCUM Fourth International Symposium which took place in Israel in April, 1984. The event provided a unique opportunity for scholars and practitioners from different countries to exchange knowledge and experience in community development, co-operative formation and related fields.

A total of about 50 people took part in the meeting. The geographical representation included Western Europe, Israel, North America and Third World countries, such as Nigeria, the Dominican Republic, Mexico and Colombia. In all, 32 papers were presented. The experiences of Western, Eastern Block and Third World countries were included among the 21 case study papers. This combination of different backgrounds enabled the Symposium to address the theoretical aspects of the issues under consideration without losing sight of realities in the field.

In what follows, the work of the meeting will be reviewed and analysed. We shall consider the whole issue of community-co-operative interaction as a process of planned social change with its key components i.e. the origin of action, its nature and scope, its modalities of implementation, its constraints and potentials, the criteria for success, and an evaluation of its results. Our analysis

* CIRCUM (International Research Centre on Rural Co-operative Communities), Israel.

is based on a number of selected papers among those presented at the Symposium.

Introducing the Issue: Approach and Definitions

For the purpose of the Meeting the community and the co-operative were visualised as two distinct, yet complementary, entities. Thus, an organisational system was viewed whereby the two systems are not necessarily coterminous, as is the case with the co-operative communities in rural Israel (kibbutz, moshav shitufi, moshav ovdim, and community settlements) characterised by the level and functional identification of the all-settlement co-operative and the village community. By "Community-Co-operative Interaction", the title of the Symposium, was meant all those manifestations of reciprocal relations which may develop between the two forms of organisation, regardless of whether they are coterminous or not.

The diversity of professional background and geographical origin of the participants allowed for a wide gamut of approaches to such basic concepts as participation, community and co-operatives. Diversity of definitions was particularly manifest as regards the first two concepts.

The American Cities Programme Model saw "participation" as an 'orderly channeled input into the agency decision-making by low income groups, necessarily restrained by agencies, organisational needs and their technical, administrative and institutional rationale'(1). A similarly directive view considered "community participation" as '.... all very well so long as the community does what the council (the local authority) expects it to do'(2). A somewhat pragmatic approach was speculation about the pros and cons of granting the community too little or too much power (3).

Clearly at variance with the above approaches, there was a note of militancy from participants from such countries as

Bolivia and India. To the former, the culture and way of life of the communities to be developed form the basic criteria and starting point for true growth, not to be confused with modernisation, which is simply the antithesis of tradition (4). To the latter, participation means 'enhancing the capabilities of individuals to deal effectively with their environment' (5) so as to enable the people to counteract the evils of the market economy, namely privatisation of material and human resources, hoarding of skills and knowledge, exploitative relationships and lack of participatory decision-making.

Lack of participation seems to cause no less harmful effects in a typically western welfare state, like Sweden. Here, society has become characterised by such attributes as 'exclusive', 'undemocratic', 'distant and fragmented', 'lonely' and 'wasteful' (6).

Community was defined along a continuum ranging from a loose sense of belonging to 'a social organisation... of a more or less large number of families which share the same territory, act in the same way, recognise the same authorities who are named by them and participate in a series of communal activities of all kinds' (7). Another paper presented community as a combination of social vitality, economic vitality and political efficacy (8).

As to co-operatives, a preliminary distinction was made by Craig and Saxena (9) who referred to 'contractual co-operation, which is voluntary and formalised, based on an explicit agreement between individuals to work together towards achieving a common goal', as different from other forms of organisation in human interaction, like spontaneous, automatic and traditional co-operation. Most participants agreed on such basic ingredients of the co-operative as voluntarism, member servicing, democracy and people, rather than capital, as central to the co-operative's raison d'être and modes of operation. The self-management and community orientation elements of the

co-operative were given particular emphasis. The former was defined as '... the liberty to govern itself according to its own priorities and to prevent undue dependence on external assistance' (10.) The latter was enunciated as the expectation of co-operatives '... to generate social and economic benefits to all sections of society and more particularly to the middle income and low income groups' (11).

The community co-operative was presented as distinct from the conventional co-operative. Whereas in the latter, membership is drawn from a particular economic sector of the community, e.g. farmers, consumers, tenants, savers or workers, in the former '... the group or organisational unit on which the co-operative is based is the whole adult membership of the community... the community co-operative engages in a number of different activities under one management... sometimes, as new projects are undertaken, each is assigned its own sub-manager or foreman and the co-operative becomes an umbrella organisation' (12).

As will be seen in the following, the attribute of 'community co-operative' does not necessarily depend on an all community-encompassing organisation.

Reasons Underlying Community-Co-operative Interaction

In addition to such a commonplace motivation as meeting strongly felt needs(s) shared by a more or less homogeneous group of people, most participants mentioned a situation of crisis and threat as a major motivational factor prompting groups to participatory actions. Interestingly enough, this was stressed by participants referring to Western and Third World settings alike.

In Belgium, self-managed groups emerge as a reaction to a crisis that hits both citizens and the badly-functioning welfare state services (13). In the Swedish context, the motivating force is the determination of people to

counteract the state of lawlessness and powerlessness which accompany the expectation of having everything done by the State (6). In Quebec, people realised that for the first time capital hit directly at living and working conditions. People learned that politics cannot be limited to electoral participation of State ownership. As the consumer society 'demanded the transformation of the urban core and the destruction of the self-sufficient farmer' the objective of alternative organisations became a 'profound socio-political change, reaching into every facet of daily life' (14). Referring to the experiences in the British Isles, Stettner pointed to three main criteria underlying the creation of community co-operatives:

1. A threat to community life and culture, e.g. lack of employment for young people;
2. recognition that community resources are in danger of exploitation from outside;
3. a felt sense of deprivation, e.g. inadequate or non-existent services such as roads, transport, electricity or water, lack of social amenities...

These are defined as situations in which '... the individual is powerless but the groups can take action' (12).

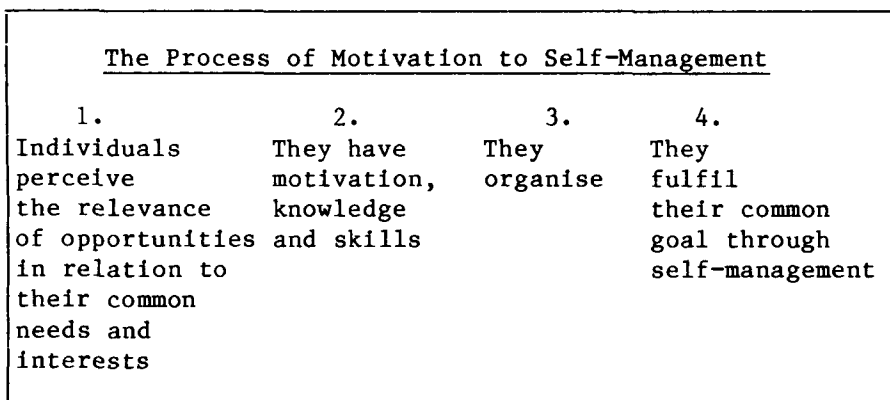
For the Indian Bhoomi Sena, the reasons that prompt the tribals to common action are being employed as cheap labour, being forced to borrow at interest rates of 100 to 1,200 percent per annum from moneylenders, this often leading in turn to the emergence of bonded labour and eviction from land. This dictates the major objectives aimed at by the emerging groups, i.e. land grab, liberation from bonded labour and the struggle for minimum wages (5).

Participation and the Process of Change

The discrepancy between 'participation' as a rhetoric of

intent typical of top-down strategies and the lack of systematic progressive steps for translating the proclaimed participation into actual practice that would respect local cultures, has been amply discussed by Cernea in his presentation of the PIDER methodology in Mexico (15). The

Figure 1



main elements of this approach are the efforts to have the 'felt needs' recognised by the beneficiaries through their own definition, and constant 'social learning process' allowing activators and activated to develop a common approach out of lessons from experience.

A more politically-oriented and research-based methodology was unfolded by Fals Borda (16). Here, emphasis was laid upon how to organise oppressed people through a process of 'knowledge making' that would give them new power and a new understanding of reality. Breaking submissive relationships implicit in the subject-object binomial may thus provide an answer to the basic question 'for whom is the knowledge that we acquire?'

Moving down from the above high level of abstraction to a more concrete one of co-operative formation, we find the

process of consciousness-raising as a recurrent theme in most experiences analysed in the Symposium. A general model of a multi-step process can be built out of the presentation by Chinchankar (17) of the motivation to self-management.

Commenting on the process of change undergone by the tribals of Bhoomi Sena, Hatkar describes the sequence as a transition from a state of low 'conscientisation' to land grab i.e. a new state of self-reliance meant as 'the delivery of the being who is to assert and seek self-expression', and hence to a state of high 'conscientisation' enabling the access to economic assets (as will be specified below). In the Bolivian context, Soriano depicts the process as follows:

1. local culture as a point of departure;
2. the need to adapt to new conditions;
3. a new awareness of self-potential;
4. choosing alternative modes of action;
5. acquiring the necessary force;
6. the self-supported project.

Here, the emphasis is on the cultural-psychological aspects of development rather than on the material one: '... if the peasant can see that there are alternatives to his present conditions, if he can understand them and choose in a realistic way and if he can acquire the necessary force to impose his choice, then he gets involved in a self-supported development, even though material changes in his life are not yet apparent' (4).

A similar step-wise approach is mentioned by Rémon commenting on the activating experience of the CPAS (Public Service of Social Assistance) in Belgium. The group will

acquire a mastery over its own capabilities (i.e. resources) as the consequence of a process of understanding its experiences and of comprehending its problems and needs, generating in turn the maturation of its potential for collective action.

A field methodology for the building up of self-managed groups through the active participation of the beneficiaries is described in detail by Verhagen. What distinguishes this strategy is the purposeful definition and selection of small farmers as the target groups and the attempt at moving from the initial steps of the 'discussion group' to the pre-co-operative to the fully-registered co-operative through the 'special interest planning group' and the 'claim making group'. In this way, the emphasis shifts from the initial group consciousness-raising to the attainment of external resources and ultimately to the mobilisation and pooling of internal ones. One of the lessons learned through Verhagen's action research in Sri Lanka and Thailand was that striving for credit is not a sound basis for initiating group action. Rather, savings originating from the farmers themselves should come first as a means of building self-reliance.

The Role of the Change Agent

Is there a need for a special kind of change agent to set in motion a process of change leading to self-managed groups? Here again, we find a wide spectrum of approaches from generic to specific. Yanoov (18) mentioned the generally-accepted tasks and roles of the community worker. Litwin emphasised the key role of the social worker in the attempt at adaptation between client and environment at their interface.

The more the change agent is homologous to the target group and the more militant the action, the more the tasks become demanding: conducting 'conscientisation' camps, carrying out investigation in case of injustice, co-ordinating struggles

on specific issues and organising mass demonstrations, all these are typical tasks of the activist-catalytic change agent operating with the Bhoomi Sena movement (5).

Stettner is specific about the optimal skills and personal properties of the change agent engaged in community-co-operative endeavours. He/she should be well trained in the arts of group discussion and decision-making, preferably originate from the community and have a thorough grasp of co-operative principles and practices. His/her role should be one of guidance rather than direction and management responsibilities. Moreover, the activator must be prepared to play his/her role over a long period, using infinite patience to avoid 'time saving' skips of stages at the expense of a gradual process of change. Finally, even the very skilled and patient change agents cannot hope to achieve much without the backing of external support agencies as regards financial, technical and other essential services.

Co-operatives that Make Sense to People

The co-operative experiences examined in the Symposium show great variance as regards the geographical setting, the scope of the initiative within the community and the kind of beneficiaries, the areas of activities, the legal status of the organisation, and the extent of involvement of the community in creating the co-operatives.

Common to them is the creation of alternatives to existing institutions and the attempt to empower the local community.

The Geographical Setting. A few experiences refer to newly-created settlements. In the areas of Alto Beni and in the province of Murillo (Bolivia) groups of families are settled, using local resources and on the basis of self-organised production and community patterns. Other experiences take place in old established communities.

The Scope within the Community. Most co-operative initiatives encompass a part of the local community population. A venture encompassing the totality or most of the community may emerge because of the wide local relevance of a given initiative or as a consequence of the fanning out of activities by the initial group. The case presented by Hatkar showed how the initiative of a group of tribals in Durves, a village in Maharashtra, India, to better their work conditions as sand draggers, became an expression of the determination of the whole community to emancipate itself from the enslavement to private investors. At the same time the new organisation proved a successful alternative to previous co-operatives dominated by government officials or external social workers. Two of the three experiences from Poland (19) show the potential of a co-operative to broaden its activities. The beginning of the Meblomet co-operative in Mszana Dolna (population 5,000) was in the production of wooden boxes. In the course of time new economic activities were added such as the production of wheel barrows, furniture, motor car seats, repair shops and the creation of a branch of the Cracow University for professional training. Social activities included secondary schools, vacation programmes, a pensioner's circle and housing. Community-wide services created by the co-operative included a water purification plant and an electricity system. Employment in the co-operative rose from 49 people in 1953 to 1,025 in 1976 (30 percent of the total in town). The share of women in the labour force of the co-operative rose from 20 percent in 1956 to 47 percent in 1980.

The Kind of Beneficiaries. In Third World countries the inadequacy of official co-operatives to service those who are most in need of them calls for the identification of specific groups of beneficiaries. These may be tribals (in the Bhoomi Sena experience), small farmers (in Sri Lanka and Thailand) or indigenous communities (in Bolivia). In community-wide initiatives, the beneficiaries are, apart from the original founders, people with different

socio-economic backgrounds from amongst the broad population. An interesting classification of target groups was contributed by Remion from the Belgian experience. Two major types were identified:

1. the group made up of the target population itself, and
2. the group made up of the very change agents who might organise as a co-operative.

Regarding the first type, beneficiaries could organise themselves and apply to the social service agency or be created by the latter.

Areas of Activities. Third World experiences deal mostly with agricultural production and utilisation of local natural resources. On the other hand, experiences from western countries impress with the variety of possibilities for using the co-operative form of organisation. Stettner lists not less than 31 kinds of activities undertaken (as of early 1980) in Ireland, 25 in Scotland and 23 in Wales. Among them we find such unconventional ventures as community newspapers, launderettes, bingos, dances and festivals, nursery schools, meals-on-wheels and museums. Similar activities were mentioned by Levesque and Rémon, referring respectively to Quebec and Belgium. In both countries, cases were reported of women dealing with problems of widowhood, divorce, desertion, etc.

The Legal Status. Not all groups are registered as co-operatives. A pre-co-operative stage is clearly incorporated into the grassroots methodology used by Verhagen in Sri Lanka and Thailand. Self-management may be carried out by a community association controlled by the community's residents.

Sometimes the co-operative formal status is purposely avoided by the prompting organisation. A case in point was reported from Honduras (20). Here, the typical local

settlement affiliated with the Asociación Nacional de Campesinos Hondureños (ANACH) is registered as an organismo local. By adopting a non-co-operative status, the ANACH not only prevents the government from interfering at the local level, but also makes the daily management of the group's affairs simpler and more easily understood by the beneficiaries.

The Extent of Involvement of the Community. Commenting on the efforts to set up some 35 community co-operatives in the British Isles, Stettner has presented an operational model that implies the direct involvement of the whole community in the process. This includes the following steps: activation of discussion groups; a public meeting and the creation of a steering group to examine possible projects; a systematic survey of local needs and resources; a campaign to sell co-operative shares to community residents; a general meeting of the shareholders and the election of a management committee for the co-operative; the adoption of a constitution; the registration of the co-operative; the application for a management grant; the subsequent recruitment of a manager, and general meetings of the co-operative as may be needed. However, from the experiences discussed above, it is clear that the community orientation of the co-operative and its relevance to the community does not necessarily depend on the above maximum model. The co-operative will serve the community on the one hand and will be assisted by the community on the other, whenever it meets locally-felt needs, respects the local culture, draws upon local resources, builds up its membership from the local population and reinvests the major part of its surplus in community projects.

The possible discrepancy between the co-operative and the community can be illustrated by means of the Bolivian example. A commentator of the cultural and political context in this country made the point that co-operative property has been termed a legal faction in that it is imposed from outside and from above. Therefore, the

peasants did not adopt it. The law of co-operatives states that the co-operative is capable of modernising the indigenous community. 'This means that if the Aymara and Quechua peasant wants to be a co-operativist, he would have to stop being Aymara or Quechua, i.e. entering a process of cultural alienation' (21).

Limitations and Success Factors

Relating to their definition of community, Craig and Saxena view co-operatives as an ideal way to develop communities, for 'the basic logic of co-operation is the fundamental process of achieving social vitality, economic vitality and political efficacy and co-operatives are organisational structures designed to practice co-operation conceptually.' Such an ideal aim, however, runs up against a variety of inevitable bottlenecks and limitations.

Commenting on the situation in Quebec, Levesque made the point that 'the survival of such associations and groups is always at risk, not the least reason being the opposition of government authorities, who prefer single-issue associations, fitting more easily into the government's own cabinet-ministry based divisions'. Even in cases of success, the danger exists that the central authorities and not the local population will ultimately reap the fruits of the grass roots efforts. The logic underlying such a development is the desire of governments to encourage local groups to save on their own budgets. Experiments in local empowerment will make a positive contribution to social change if the following conditions are met:

1. 'workers' control is real and not merely a legal formality;
2. the capitalist division of labour is thrown into question;
3. the enterprise retains and strengthens its solidarity with the community ...' (14)

Referring to the experiences with micro-projects in Sri Lanka and Thailand, Verhagen identified a number of critical constraints:

1. being low budgeted, the projects take relatively too much of the working time of administrators;
2. the intrinsically unplannable nature of participatory projects runs counter to the specific information demands of donors;
3. donor organisations dislike the idea of committing themselves for long periods of time.

In addition to external adversities, co-operation seems still ill-equipped to deal with community wide issues, due to the inadequacy of the classical principles. In their paper, Craig and Saxena called for a re-thinking and reformulation of the classical principles so as to remove the contradictions between the co-operative and the broader community in such issues as the selection of new members, women membership, savings and the mobilisation of capital for enhancing the community's self-reliance and the education of the large public. On the whole 'only at the very general level are the principles universal. In application, successful movements must shape and reshape the operationalisation of these principles to fit their communities'.

Most participants see a mix of local esprit de corps and external assistance as essential success factors. Kowalak laid special emphasis on the need of 'learning the rules of the game and how to play it', i.e. the capability of adaptation to the prevailing national system. To Don (22) the critical issue is how to achieve the best fit between the quality of the community defined as 'a blend of human capital parameters with various indicators of social coherence', on the one hand, and the community's enterprise, on the other. The assumption is that the social properties

of the community are manipulatable variables, and this entails challenging tasks for social workers, sociologists and community operators.

Conclusions

The foregoing has unfolded the potential inherent in the complementarity of community and co-operatives for a new model of participatory development. From the above examples, the community and the co-operative emerge as organisations differing from the conventional ones we knew in the past and this seems to cut across the socio-political contexts examined.

The community is no more a mere residential entity and an administrative unit with a host of demographic, socio-economic and ecological characteristics, but a living organism looking for more power to cope with its problems and concerned with maximum utilisation of its human and material resources. Community means local, attuned to felt needs, gradual, respectful of local traditions and life streams.

As to the co-operative, it is more imaginative, more 'down to earth' and, especially in Third World contexts, less sophisticated in technology and investments. New approaches and methodologies for setting up co-operatives do not change the classical rationale that group action can achieve economies of scale that are beyond the capability of the single individual. Yet the new approaches and methodologies give a new meaning to the co-operative endeavour by substituting a state of self-reliant activeness for the passive expectations of assistance from above; by substituting projects attuned to local idiosyncrasies for official standard package programmes; by enabling the beneficiary at the local level to look sideways to see what he can do together with his peers, thus saving him from becoming a deviant from his community's norms whenever externally-induced stimuli prompt him to adopt 'modern' patterns or procedures; and mainly by enabling the local community to build up its own strength.

Here lies, perhaps, one of the greatest messages of the community-co-operative interaction: that of turning upside-down the conventional model of development whereby social infrastructures and community facilities are supplied 'from above'. and 'from without' with little - if any - attention given to the encouragement of local empowerment. The alternative would consist of the capability - however limited - of carrying out tertiary activities, drawing upon locally-originated economic surpluses.

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GOVERNMENT AND CO-OPERATIVES AS PARTNERS IN DEVELOPMENT *

by Hans-H. Münkner **

The Setting: Governments and Co-operatives in the Southeast Asian Region

After almost 80 years of effort to promote the development of strong co-operative movements in the region, we are still at the experimental stage. We know more about what does not work than how to devise successful schemes of state-sponsorship for co-operative societies. Despite the creation of heavy government machinery for promoting co-operatives and tremendous financial support by the respective governments, people still do not get involved in their own development as expected.

This experience calls for an assessment and - if necessary - for a re-assessment of the current relationship between government agencies in charge of promoting the development of co-operatives and central co-operative institutions or apex organisations.

Before discussing technical details of projects; we should think about the underlying concept and the ultimate goal of state-sponsored co-operation. Only after clarification of these issues, can we discuss the appropriate strategies to reach this goal.

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The potentials and limits of self-help organisations have to be seen in a realistic way, i.e. the difference between helping the destitute (social welfare programmes) and helping those who have at least a small potential to help themselves (co-operative development programmes) should be kept clear.

There is also a need to think about the right type of government machinery for co-operative development, because in the past it has often turned into an immobile, bureaucratic, administrative unit without the staff of the right calibre, and the funds to carry out its field activities in direct contact with the co-operators in an effective way.

Furthermore, we must clearly understand the importance of co-operative apex organisations for the implementation of state-sponsored co-operation, and define the way in which the government and the co-operative movement can collaborate in their respective areas of co-operative development.

Finally, an appropriate legal and administrative technology has to be developed for solving the still unsolved problems of:

- how government can best contribute to the formation and development of sound co-operative societies at the grass roots level;
- how to distribute tasks and responsibilities between the government agencies in charge of promoting co-operatives and institutions created by the co-operative movement to render support services to affiliated co-operatives;
- how to devise an appropriate legal framework within which the co-operative societies can develop and play their dual role as member-oriented, member-supported and member-controlled self-help organisations on the

one hand and as instruments for the overall socio-economic development of the nation on the other.

The Concept of State-Sponsored Co-operation as Reflected in Government Policies, Co-operative Laws and Actual Implementation

The ultimate goal of government's efforts to promote co-operative development can be summarised as follows:

- to increase the real income of the poor;
- to give them access to productive resources; and
- to enhance their capabilities for self-development.

The goal, and at the same time the means to reach this goal, is to help people to help themselves and thereby to establish a strong co-operative movement which can play a decisive role in transforming society.

Ambiguity of the Concept and its Implementation

In the past it has been difficult to reach this goal: encouraging self-help by assistance from outside can be construed as a contradiction in terms. Self-help action is normally self-energising, when no help from outside can be expected (the early German co-operatives refused to take assistance for fear of becoming dependent on government and weakening the self-help motivation of their members). Measures taken to sponsor self-help activities have therefore to be very carefully considered, as to whether they really encourage self-help or whether they replace or even kill the self-help effort.

This ambiguity of concept, and more particularly of the way in which the concept is put into practice, can be seen in statements and activities both of the government and the

co-operative movement and also - to some extent - in the co-operative legislation. For example, co-operative leaders ask for:

- massive government support and
- independence from government;

or they demand:

- autonomy for the co-operative societies, and at the same time
- protection of members, creditors and the public against losses and malpractices.

Governments, when promoting co-operatives:

- expect quick results of promotional measures, which by definition are long-term effective, e.g. adult education, institution-building;
- try to by-pass the long process of creating awareness and self-help capacity by encouraging "participation" through excessive incentives, e.g. easy loans, subsidies and grants, thereby creating the artificial growth of institutions built for the people, which, however, usually remain empty shells not accepted by the people as their own institutions.

Co-operatives are considered under co-operative law as private business organisations with the general meeting of members as the ultimate authority. However, in practice co-operatives are treated and used as development tools in the hand of government.

Under co-operative development programmes, people are trained to pursue their own goals and interests in their co-operatives. Yet, in practice the goals for co-operatives

are often set from outside. Member participation is encouraged, but in planning and decision-making it is overlooked. "Government wants us to be democratic, but we have been left with little to be democratic about".

Government declares de-officialisation and phasing-out of government's involvement as its policy, while in practice - for a number of reasons - interventionist powers are maintained or even increased in order to remain in control.

The same attitude can be found in the relationship between government and co-operative apex organisations. There is the desire to shift promotional tasks from the government agency in charge of co-operative development to co-operative apex organisations, but there are also doubts of the capability of such apex organisations to carry out the responsibilities transferred to them.

Co-operative departments are established with tasks and responsibilities defined in the co-operative law and regulations. However, such departments are not equipped with the staff and funds required to fulfil these tasks effectively.

Elements of a Constructive Government Policy

Despite these ambiguities, it is possible to promote co-operative societies with the help of government. What is required is a clear and deliberate policy to concentrate only on such promotional measures which in fact encourage rather than replace or prevent self-help. It is important to keep in mind that government support is not equivalent to officialisation.

Promotion of co-operative development can be done indirectly by creating a favourable economic, legal and political framework in which co-operative societies can work. This would include a good co-operative law but also a co-operative development policy co-ordinated with the

overall policies for national development, and a mechanism which can co-ordinate the conflicts with agencies promoting policies detrimental to co-operatives or establishing programmes competing with co-operatives.

Where co-operative development is promoted by direct measures, government support has to be deliberately:

- temporary, i.e. limited to an initial period of development only;
- subsidiary, i.e. supplementing self-help efforts, rather than substituting them; and
- self-liquidating, i.e. generating own resources within the promoted co-operative society which will ultimately replace the government inputs.

As a rule, education, training, advice and help in access to resources are more suitable in the long run than direct financial support.

The Appropriate Machinery for Co-operative Development

Where it is felt that co-operative development has to be promoted from outside, appropriate machinery has to be established. Under the concept of state-sponsored co-operation it should include:

- government machinery consisting of one or several government agencies; and
- co-operative movement machinery for co-operative development to which certain powers and responsibilities of the government machinery can be transferred.

This transfer of powers from the government machinery to the movement machinery does not occur by itself. The transfer has to be implemented as a deliberate policy, and the co-operative apex organisations have to be systematically

strengthened so that a movement machinery develops that can handle the tasks transferred to it.

The co-operative law must distinguish between functions to be retained permanently by the government agency in charge of co-operative development (regulatory functions) and functions to be handed over to the movement machinery (apex organisations), and to provide for such transfer of powers and duties.

Collaboration between the government machinery and the movement machinery must be encouraged, and could be complemented by:

- consultation;
- division of labour (e.g. staff training by the government department, member education by the movement institutions);
- joint activities (e.g. mixed audit teams).

In all cases the ultimate aim should be to transfer the developmental functions (promotion of new societies, education of members, office-bearers, training of staff, support services, internal and external audit) to the movement machinery.

This is a precondition for the successful implementation of the concept of state-sponsored co-operation. But there are also strong financial arguments in favour of this course of action. No government can afford to finance a full support system for a growing co-operative movement for ever. At best, government can encourage co-operative development for an initial period and then should hand over the responsibilities and cost of the support system to the co-operative movement itself.

While discharging the co-operative department of its

developmental functions by transferring them to co-operative apex organisations, the department can be made more effective in performing its remaining regulatory functions (i.e. registration, investigation of malpractices, super-audit, liquidation and, in the event, arbitration), by preventing the government machinery for co-operative development from becoming an ordinary administrative unit and from turning into a development bureaucracy. What is needed to achieve this objective, is:

- to improve the staff situation in general;
- to offer better service conditions especially for field-workers or promoters holding key posts in the co-operative development machinery, because they constitute the contact point between the co-operators and the government;
- to introduce a better method of evaluation of the performance of government officers in charge of co-operative development by evaluating the quality rather than the quantity of development work.

Conclusion

To sum up, the following requirements for more successful programmes to establish strong co-operative organisations with the support of government can be identified as:

- clear understanding of the concept of state-sponsored co-operation and of the mechanics of self-help;
- awareness of the ambiguity of past and present co-operative development policies and their implementation among policy-makers, law-makers and implementors;
- development of machinery for the implementation of a deliberate policy encouraging self-help through well-

chosen measures of government support, and by establishing a partnership between the government and the co-operative movement in developing the nation.

If it is intended to enable the masses of the low-income group of the population to make active use of the co-operative form of organisation for self-development, this can only be achieved in a long and troublesome process with the help of a strong and effective government machinery for co-operative development. However, the building up of a movement machinery for co-operative development has to be an integral part of the development scheme, so as to make the gradual devolution of powers and responsibilities for the co-operative support system from government to the movement a realistic policy option.

Government efforts to promote co-operatives will only be successful if real efforts are made to put the theoretically-accepted concept of temporary, subsidiary and self-liquidating state-sponsorship with all its consequences into practice. This means in concrete terms that co-operatives have to be given the chance to build up their own support system (and to earn the necessary funds in their business transactions) with apex organisations strong enough to handle such tasks as education, training, advisory services, external audit, pooling of supply and demand, and building up of countervailing power in favour of the members of their affiliated societies, so that it becomes worthwhile and beneficial to be a member of a co-operative society.

MUKA MUKUU: SUCCESS OR FAILURE?

Chris Marshall *

This article describes a rural development aid project focused on a 2,500 member farmers' co-operative in rural Kenya, indicates the strengths and weaknesses of progress so far, asks whether a co-operative society is really the most appropriate vehicle for such a project in the long-term and suggests possible modifications for the future.

Muka Mukuu Farmers' Co-operative Society was founded in 1967 and purchased an 11,000 ha. farm for its members but had insufficient management capacity and financial resources to develop or effectively settle the area. In 1980 members accepted the offer of an ambitious development project budgeted at K.Shs 100 million (\$ US 6 million) to help them achieve their objectives. The project combines the development of a commercial farm and settlement of members on individual small-holdings, with potential for mutually beneficial linkages between the two components to the advantage of members. As the project has progressed it has become clear that while it has been perhaps unexpectedly straightforward to implement the physical development plans for the area, there is much more uncertainty about the capacity of the Society to manage the complex operations of running the commercial farm and maintaining infrastructure and services in the settlement area in the longer run. This essentially reflects a lack of depth in the structure of the Society and possibly a lack of commitment to, or understanding of, the project by members as a whole. A modified future path for the project is suggested and it is strongly recommended that the project's sponsors, both donor and Kenyan, having encouraged the Society to enter certain

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financial commitments, should not withdraw their support until the Society is firmly established on a path which will enable these obligations to be met or transferred.

The Muka Mukuu Rural Development Project - A Brief History

The 11,000 ha. Donyo Sabuk Estate surrounding Ol Donyo Sabuk mountain on the northern edge of Machakos District in Kenya was owned by a European settler family from early in the present century until 1958 and run as a commercial coffee, sisal and ranching operation. Subsequently it was bought by a private company based in Nairobi. Little is known about the next ten years except that considerable asset stripping took place and that after Kenya's independence in 1963 there was growing pressure to transfer the land ownership into Kenyan hands. In the mid-sixties the labourers on the estate together with others were mobilised by the area's Chief to form a savings and loan co-operative which raised sufficient money to buy the estate with loan assistance from the Co-operative Bank of Kenya. The area was renamed Muka Mukuu, meaning loosely "First Wife" in the language of the Kambas who were the majority tribe amongst the new owners of the Estate. However the romance of the change-over was short-lived. A detailed history of the next few years will probably never be accurately pieced together, but it is clear that the more worldly of the members of the new co-operative managed to continue the process of asset-stripping begun by their predecessors to their own private benefit, that both by mis-management of the previously-developed commercial farming operations and by embezzlement, the Society benefited from neither the coffee nor sisal booms of the mid-seventies (and in fact ended up with increased indebtedness), and that no progress was made in settling the members on the land in any systematic fashion. The majority of the 2,000 or so members of the by-now-renamed Muka Mukuu Farmer's Co-operative Society (MMFCS) in effect squatted randomly on their own land and engaged in a rather precarious subsistence agriculture with no security of tenure at all. The remainder were

non-resident members who had largely lost interest in what must have appeared to have been a bad investment.

In the late seventies this situation attracted the attention of the Kenya Government - possibly (and ironically) as a result of non-payment by MMFCS of money due for surveying work as part of an abortive attempt to demarcate and allocate farming plots to members on part of the area. The present Muka Mukuu Rural Development Project (MMRDP) was the eventual outcome of this interest - although the genesis of the impetus for focusing on MMFCS rather than other possible beneficiaries is somewhat obscure, it probably reflected the then current political factors.

The formation of the MMRDP in its present shape was preceded by several feasibility studies examining various alternative uses for the area. In brief, these ranged between the possibility at one extreme of returning virtually the whole area to commercial farming/ranching operations as in the past (MMFCS members being bought out or 'villagised'), through to demarcation of the whole area for settlement by members at the other. The MMRDP emerged as a compromise following in essence the "Shirikwa" pattern of settlement development popular in the immediate post-independence period of land transfer in Kenya, whereby a large farm was divided up into settlement plots for its new owners but a substantial portion of the acreage was retained for continued operation as a commercial enterprise. The early promise of the "Shirikwa" schemes was however rarely fulfilled because of problems with management, operation of the commercial farming element and maintenance of the settlement infrastructure - lessons which were incorporated into the MMRDP design.

The MMRDP as it eventually emerged had two main components: the rehabilitation and development of a commercial farming operation on the estate and the settlement of MMFCS members on individual small-holder plots on the remainder of the land, together with related development of the social

infrastructure. Although an explicit justification for this structure has not to my knowledge been publicly stated, it may be supposed that the project sponsors saw a substantial area of scarce irrigable land, with a good potential for producing export crops, being under-utilised, and felt that an economically viable development could be undertaken, whilst MMFCS members could in the short-run be compensated for the effective withdrawal of some of their land from direct settlement usage by assisting them to settle permanently on the remainder. In the longer run they would receive direct benefits in the form of dividends, infrastructure maintenance and other spin-offs as a result of successful operation of the fully-developed commercial farm.

The implementation of the MMRDP began in 1981 and it is expected that most major physical developments will have been completed by the end of 1986. Project management is co-ordinated by a Steering Committee on which the various interested institutions are represented, and run on a day-to-day basis by a team from the Ministry of Agriculture and Livestock Development (MOALD) working together with the Committee of MMFCS and the Managing Agents who are responsible for running the commercial farm. The MOALD team are expected to remain to support the project until 1988. The implementation programme broadly follows designs laid down in Master Plans for the settlement and commercial farm components prepared by consulting firms, but these are modified where necessary as a result of changing conditions with the approval of the Steering Committee.

The total project budget is around K.Shs 100 million, of which 85 percent is provided by an overseas donor and the rest by the Government of Kenya. The costs of the development of the settlement scheme, which are expected to total around K.Shs 20 million, are provided as a grant, while the remainder for commercial farm development is a loan to the MMFCS through the Co-operative Bank of Kenya on very soft terms. The details of the various elements of the project are provided in the next section.

THE PROJECT IN DETAIL

Project Activities

Table 1 summarises the various components of the project briefly, indicates their relative importance in financial terms as anticipated at the planning stage and shows that - as mentioned below - the actual out-turn has been that costs have generally been lower than expected. In Table 2 the main physical activities covered by these expenditures are set out: the following paragraphs summarise and explain these activities in rather more detail.

TABLE 1

Muka Muku Rural Development Project - Physical & Financial Progress

<u>Major Components</u>	<u>'000 Kenya Shillings</u>	<u>Planned Activity Completed</u>	<u>% Finance Used</u>
<u>Commercial Farm:</u>			
Irrigation and power supplies	34,872	100	95
Other machinery and equipment	8,500	90	91
Farm buildings	5,000	95	93
Factories	4,825	35	41
Farm roads	600	80	19
Plantation development	25,400	*50	47
Management fees	4,196	*50	40
TOTAL	<u>83,383</u>		
<u>Settlement Scheme:</u>			
Plot allocation and demarcation	1,665	95	96
Roads	2,000	80	48
Water supplies	8,000	90	44
Extension and training	1,150	*50	35
Community facilities	5,200	95	89
TOTAL	<u>18,015</u>		
PROJECT TOTAL	101,398		

* Estimate for ongoing activity

TABLE 2

Main Physical Activities in Muka Mukuu Rural Development Project

<u>Commercial Farm:</u>	<u>Activity planned</u>	<u>Progress by October 1985</u>
Irrigation and power supplies	Irrigation system for 520	Installation completed
Other machinery and equipment	Purchase and operation	Most bought and in use
Farm buildings	Construction of workshop, stores, renovation of offices and other staff facilities	Nearly all completed
Factories	Construction of new coffee factory Renovation of existing sisal factory	Designed, not yet built Renovation completed
Farm roads	Reconstruction of 30 Km access road	20 Km. built
Plantation Development	Replanting 215 Ha. sisal Renovation 720 Ha. sisal Renovation 100 Ha. existing coffee New planting 300 Ha. coffee New planting 110 Ha. citrus fruits New planting 20 Ha. passion fruits Establish 10 Ha. nursery	Planting and renovation virtually completed for all crops, routine agricultural operations continuing. Providing planting materials for above areas
Management	Services of professional estate managers	Continuing
<u>Settlement Scheme:</u>		
Plot demarcation and allocation	Survey external and internal estate boundaries, demarcate 2,500 settlement plots and allocate to MMFCS members. Organise and clarify MMFCS membership records. Plan and allocate plots in market centres	Plots have been surveyed and allocated to almost 2,200 members. Society membership has been expanded to solve squatter and other problems. Village/community use plots have been planned, not yet allocated.
Roads	Construct 30 Km main all-weather road and 230 Km plot access tracks	25 Km road built, not yet all-weather, and 180 Km of tracks are complete
Water supplies	Construct 3 deep boreholes, 15 dams and 12 shallow wells/catchments	5 boreholes sunk, 18 dams built, 12 wells/springs installed
Extension and Training	Promote soil conservation activity and better agricultural practices in the area	About 300 Km of terraces/drains built by members. Training centre established with 10 member extension team.
Community facilities	Construct 32 new classrooms, one dispensary three cattle dips and other minor works	Completed apart from dispensary, 30 extra classrooms renovated and 100 toilets built

The Commercial Farm comprises approximately 1,500 ha. in total. Just over one-third of this area is being developed for irrigated agriculture, using water from the Athi River which forms the northern boundary of the estate - 400 ha. under coffee, 110 ha. citrus fruit, 20 ha. passion fruit and 10 ha. nursery/horticulture. The irrigation scheme is designed to deliver 150 mm of water per month over the whole area if necessary. The coffee area is served by travelling high-pressure overhead rain guns, the remainder by under-tree sprinklers. The whole system uses electric pumps feeding an underground pipe/hydrant network from a main distribution canal.

The remainder of the farm is concentrated on sisal production. About 220 ha. of old sisal/bush have been cleared and replanted with new sisal and 720 ha. of overgrown sisal are being rehabilitated by clearing secondary tree growth and converting the wood into charcoal for sale.

The nursery exists primarily to provide planting materials for the farm development programme but is also a major source of tree seedlings and other plants and seeds for the farmers in the settlement area, and conducts trials on crops which appear likely to be useful on the estate as a whole.

Improvements to the general infrastructure of the farm include the renovation of existing buildings where possible, the construction of a new workshop/store compound and coffee factory, and of additional staff accommodation, as well as road improvements and the purchase of new farm machinery and equipment.

As well as the provision of tangible physical investments, the farm development programme necessarily involves a considerable amount of purely agricultural activity to establish and maintain new and existing crops - as Table 1 shows, this is expected to be the largest single-cost item after the irrigation investments, indicating the scale of

the task facing the farm management and the need to engage professionals on this activity. When fully developed the turnover of the farm is projected to be around K.Shs 20 million (\$1.2 million) per year.

The Settlement Scheme. The settlement area comprises all of the 9,500 ha. of the estate not used by the commercial farm but effectively only 7,500 ha. are used for demarcated settlement plots, the remainder being reserved for market centres and other communal purposes and/or unsuitable for cultivation because of steepness or soil conditions. Just over 2,500 plots are available for settlement, ranging in size from 2 to 4 ha. each depending on the assessed farming potential. The settlement area design was completed by professional physical planners as part of the Settlement Master Plan which also detailed the other activities needed for the development of the area. These fall into 5 major categories:

1. Plot demarcation and allocation. Included here was a considerable amount of survey work to establish the precise boundaries of the estate, to lay down a secondary grid defining the road network and finally to mark the corners of the individual settlement plots. The actual plot allocation process was expected to be complicated by the need to minimise disturbance to the many settlers already resident in the area, by the very incomplete state of the MMFCS membership records and by the existence of numerous non-members of MMFCS within the area. The detailed design of village/market centres and the allocation of commercial plots within them was also to be included here.
2. Roads. Additional roads to be provided within the area included a 28 km main ring feeder road to be built to all-weather rural road standards and a network of 6m wide tracks permitting access to each settlement plot and totalling 350 km.

3. Water Supplies. The overall design objective was to provide improved water supplies for the whole area within a maximum walking distance of 1.5 km from each plot (the national standard for rural areas in Kenya). Because of the varied hydrology of the area this was to be achieved by a variety of means, including small dams, deep boreholes, shallow wells and spring protection works.
4. Soil Conservation, Extension, Training. Although the need for soil conservation and agricultural extension activities was emphasised heavily at the planning stage, the exact mechanisms to be used to achieve the objective were only developed as the project got under way. They have been focused on the establishment of a Farmers' Training Centre/Village Polytechnic together with a team of extension workers using a modified version of the Training and Visit system to spread new ideas to 50 contact farmers around the area. A small loan scheme has been introduced to complement this activity, and a shop for the purchase of farm inputs and sale of produce.
5. Community Facilities. Included here were the construction of additional primary school classrooms, a dispensary, four cattle dips and other minor buildings for communal use.

Project Financing.

The detailed financing of the project is quite complex, but essentially the expenditures for the development of the settlement area have been provided to the MMFCS as a grant, while funds for the commercial farming operation are on very soft loan terms (6 percent interest over 20 years, seven-year grace period on capital repayment). The main source of funds is an overseas donor who provides 85 percent of the total capital investment, the Government of Kenya meeting the remainder; while MMFCS itself is also

self-financing a considerable part of the day-to-day operations of the project by ploughing back current earnings from coffee, charcoal and sisal sales. The donor also provides funds for expatriate staff and supports some minor project activities. Most project funds are channelled through the Co-operative Bank of Kenya (CBK) which also provide working capital at normal commercial rates.

The annual forward budgets of MMFCS consolidate the various components of the project. Full financial control systems are being developed with assistance from the CBK to enable the interests of all MMFCS members to be safeguarded. A sample forward budget for 1985 is summarised in Table 3 and gives some idea of the magnitudes involved in a year's activities.

Administration, Staffing, Implementation.

Implementation of the project involves a number of bodies. General policy is laid down by a Steering Committee (comprising representatives from MOALD, the Ministry of Co-operative Development, the District Administration and MMFCS), which also approves annual work plans and budgets and monitors progress. Day-to-day project management is by a Scheme Management of three expatriates (Scheme Manager, Engineer and Settlement Adviser, provided by the donor and seconded to MOALD) and three MOALD counterparts. The irrigated commercial farm operation and development is supervised by an estate management company with extensive experience in Kenya, (whose fees are currently paid by the donor as a grant to MMFCS), while sisal harvesting, processing and marketing are also contracted out to a specialist firm. MMFCS itself has a small administrative staff and also technically employs most of the personnel working on the farm and in the settlement area. The activities of these various groups are formally co-ordinated in regular meetings of a project management committee chaired by the MMFCS chairman and on which MMFCS committee members may also sit. As the project offices also house

TABLE 3

Operational Budget of MMFCS, 1985

	<u>'000 Kenya Shillings</u>
<u>INCOME</u>	
Sales of farm produce	4,680
Membership fees/charges	90
Membership services	105
Other miscellaneous items	86
Development project: Investments	21,380
Development project: Services	8,698
Bank overdraft	8,179
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TOTAL	43,200
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<u>EXPENDITURE</u>	
Settlement development	6,980
Settlement operation	539
Farm development	14,400
Farm operation	17,995
Society operation	804
Loan interest	2,500
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TOTAL	43,200
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Note 1. No provision for depreciation

Note 2. Labour costs estimated at K shs 10m. in total.

most of the relevant senior personnel in one place informal contacts and co-ordination meetings are also easy to arrange.

The project timetable originally envisaged implementation beginning in 1981 and completion of physical investment by the end of 1985. Arrangements for the expatriate Scheme Management currently envisage a phased withdrawal by the end of 1988.

Is a Co-operative Society a Suitable Channel for such a Project?

As was mentioned above, the "Shirikwa" schemes in newly independent Kenya on farms previously owned by European settlers involved a pattern of settlement rather similar to that on Muka Mukuu - a nucleus farm plus individual settlement plots. Few if any have survived on this basis, mainly because of problems with the management of the nucleus farm, especially those connected with labour issues involving members of the schemes, which were not generally organised as co-operatives.

The MMRDP can be seen as a pilot project which attempts to create a more integrated relationship between its settlement and farm components within a co-operative framework. In very broad terms the aims are :

- a) to provide opportunity for Society members to obtain work on the farm. But since this is not in any way obligatory - MMFCS is not a collective - and normal agricultural wage rates are paid, a proper level of productivity can also be insisted on;
- b) the availability of properly maintained agricultural and other equipment for hire to Society members at cost for use on their farms;
- c) to make available trained personnel and equipment to maintain the infrastructure of the settlement area,

with a centralised source of finance to support this "collective good";

- d) the availability of finance to provide other collective services to Society members e.g. the Training Centre and extension team, together with other more traditional co-operative services in marketing, credit and supply of inputs, for which a co-operative framework already exists;
- e) to create eventually additional cash incomes through dividends from the farm once the loan is repaid.

From a project management point of view there are also practical advantages in working with an organisation which has a legal identity (enabling it to sign contracts and assume financial obligations in a way that a group of unconnected individuals would be unable to do), and which has a structure through which individual members can be accessible to receive information or to give reactions.

Generally this seems to be a framework custom-made for co-operation, although even at a general level one might point out:

- a) the difficulties of running a complex commercial operation in Kenya under co-operative rules which are designed more to safeguard against misappropriation of funds than to expedite operational decision-making;
- b) the hybrid arrangement of having outside agencies working for the Society's benefit without being formally responsible to it;
- c) the difficulties of ensuring effective co-operative democracy within a relatively large area without good communications linking members;
- d) the generally rather poor performance of co-operative

societies in Africa, where co-operation has often been legally imposed on groups wishing to pursue certain activities (because it provides a convenient supervisory framework), rather than being developed from the grass-roots level among groups of people who know and trust each other.

How then has the MMRDP worked out so far for MMFCS?

Progress and Experience to Date

Although the start of the implementation of the project as a whole was delayed until well into 1981, and hardly began at all on the settlement area until 1982, progress since then has been rapid and by late 1985 nearly all the major physical investments have been completed apart from those concerned with on-going agricultural activities. Table 2 indicates the current position in physical terms and Table 1 includes the financial picture, showing that most of the development has been achieved within the overall budgeted expenditures. On the settlement infrastructure side it would be possible to provide considerably increased facilities in due course from the remaining funds available, while the farm development is also likely to cost less overall than originally anticipated, with consequently reduced loan burdens on MMFCS. The actual development work has been organised in a variety of ways, including a fixed-price turnkey contract for the main irrigation works, direct works by Government agencies, construction by local contractors, and direct labour supervised by project staff. As Table 3 suggests, local benefits in terms of wages have been considerable.

On paper then, and from an engineering point of view, the project may be considered to have been a successful one up to now. However, without wishing to detract from the achievements to date, it is timely to highlight several areas of uncertainty which need immediate attention if this generally promising progress is to be maintained. If these

problems are not effectively resolved there is a high probability that the MMRDP will eventually be remembered as yet another well-intentioned aid project which vanished virtually without trace, the pessimistic prophecy of this article's title being aptly fulfilled!

As the perceptive reader may already have guessed, these problems are centred very much on 'software' questions connected with the structure of MMFCS and the future management and organisation of MMRDP as a whole. The rather lengthy description of the 'hardware' of the project in the preceding sections was necessary to set the scene for the discussion which follows in the rest of this article.

The problems which can be foreseen can be summed up in one question - "What will happen when the MOALD Scheme Management leaves the project in due course?". And although there are several aspects of this question which can be looked at separately, including the management of the commercial farming operation, the maintenance of the settlement scheme infrastructure and services, and the development of new social and/or commercial activities for the benefit of MMFCS members, the question can essentially be rephrased as "Can MMFCS cope with the future running of the project as designed in the long-term interests of all its members?".

Experience to date suggests that it will not be able to do so in the near future. This is hardly surprising given the history of the project outlined above - an essentially moribund and indebted Society with initially rather limited objectives in obtaining land for its members (and poor performance in achieving anything after the actual land purchase) is not prima facie likely to become overnight a dynamic and forward-looking organisation capable of running a complex activity. This is not to say that there have been no encouraging signs at all, but this is an appropriate point to review the strengths and weaknesses of MMFCS as now apparent.

Strengths and Weaknesses of MMFCS.

The strength of MMFCS members is most apparent in the settlement area, where there have been very encouraging development efforts by settlers, now they have some security of tenure for their plots. Large areas of bush and former sisal-growing land have been cleared for arable cultivation and a great deal of construction of new housing has been done. Co-operation among local "mwethiya" groups is traditional in the area and has been particularly apparent in energetic effort to complete soil conservation works, and to a lesser extent in tree-planting and other communal projects.

There have also been minimal transitional problems during the resettlement phase of the project, despite the fact that at least a third of the members then resident on the estate had either to move to a different farming plot or to build a new house in due course. The anticipated difficulties with "squatters" which created much discussion during the project planning stage have also hardly raised a ripple of disturbance because of a mature and tolerant attitude by members in absorbing them into the Society.

The Committee of the Society has been continuously active in assisting to smooth the resettlement process, in sorting out the inevitable disputes and disagreements and in putting the Society's previously chaotic membership records in order - a process only now approaching completion. They have also been involved increasingly in determining the detailed pattern of investment in settlement infrastructure (and, through their employed Settlement Manager, in its operation and maintenance).

So, one might say, all that has to happen now is for the Committee to turn its attention to a greater involvement with supervising the managing agents running the commercial farm and with the overall financial position of MMFCS and all will be well. There are two obstacles to this being

easily achieved. The first is that the Committee has so far, in dealing largely with issues connected with membership and the settlement area, been operating in areas within the general experience and competence of its members; the second that the Committee is not the Society as a whole. To elaborate on these in more detail:

1. The present MMFCS Committee has as indicated above played an active and generally effective role in issues connected with settlement, and shown a healthy interest in other matters connected with the general development of the commercial farm. However, this role has been essentially a supporting one to overall policies and decisions formulated by the Steering Committee and implemented by the Scheme management. The running of the project as conceived in future will be a quite different task and require a Committee of higher calibre and wider experience than the current one composed mainly of small farmers and supported mainly by resident members. Such a Committee could no doubt be recruited from within the membership of MMFCS, which contains a number of senior civil servants and other public figures - but it is an open question whether the members in general wish to be represented by them. It is also debatable whether members as a whole feel confident to elect representatives whom they feel will in fact accurately reflect their interests - rural people in Kenya are generally deferential to "authority" and may be influenced to elect prominent local personalities rather than their peers to positions of responsibility.

One may also wonder whether the present legal arrangements for the close financial supervision of co-operatives in Kenya, focusing mainly on the prevention of irregularities, would enable the commercial aspects of MMRDP to be run effectively by any Committee, however competent, without the use of managing agents. But the latter, as alien elements in a co-operative set-up, may find their task difficult without very clear definition of their objectives by the Committee.

2. To state that the Committee is not the Society is not primarily to cast doubt on the process by which Committees are elected, (although one might wish to see more active participation by the bulk of members in this area) but rather to emphasise the gulf of understanding about the project which exists between the Committee, who are in frequent contact with the Scheme Management and other project authorities, and the bulk of the members. Nor is it to disparage the efforts of the Committee and the Scheme Management to spread information to the members by holding public "barazas", seminars and other meetings.

However, it is abundantly clear that there is a very limited understanding of the project as a whole by many of the members settled on the estate (and an even lesser level of involvement by non-resident members, some of whom have yet to be traced). References by members to the commercial farm as the "donor farm" may be a source of wry amusement to the Scheme Management, but together with incidents of theft of, wilful damage to or simple disregard for maintenance of Society property by Society members they indicate a lack both of comprehension that the farm and settlement infrastructure belong to the members and of any feeling of co-operative responsibility.

This is perhaps not surprising, given the generally low educational level of most resident members, the "colonial" past of the area and the selfish exploitation or mismanagement of Society assets by individual members or Committees in recent history. That it may genuinely reflect a lack of interest in the wider project by those members who see their original objective in joining MMFCS - namely the secure acquisition of land - as having been met is also an interpretation which should not be ignored.

And it would be appropriate to consider here the possibility that MMFCS was originally formed and conceived not out of any deep commitment by its members to co-operative ideals and principles but simply as a legally necessary expedient

for achieving the immediate objective of buying the estate while the opportunity existed. It should be noted too that the members who currently reside on the estate form something of a "society within a society" vis-à-vis those members who have been allocated settlement plots but mainly live and work elsewhere.

Even if the Society as such becomes a lively and self-confident institution in due course, there is another factor which requires attention - the need to have an effective permanent staff employed by the Society for overall administration and financial control as well as maintenance of the settlement area infrastructure now, and possibly management of the commercial farm in due course. No volunteer part-time Committee can effectively perform these functions for a project of this complexity, whose running is further complicated by the extra bureaucratic formalities faced by co-operatives in Kenya. Also the Committee and staff alike must feel responsible for and responsive to the needs of members - there will not always be a Scheme Management to guard against the intrusion of private or sectional interests.

From the above it should be clear that MMFCS is currently some considerable way from functioning as the integrated and effective co-operative society the project planners may have envisaged, and while it may be a convenient and comfortable fiction to regard decisions of and discussions with the Committee as reflecting the Society's needs and priorities, this assumption may not be well-founded.

It would be wrong to paint too black a picture - a recent AGM of the Society was well attended and marked by some searching questioning of the Committee on current issues which suggested that members may be beginning to feel that they can influence their Committee, and through them their own welfare and living conditions on Muka Mukuu.

Nonetheless the time has surely come to assess what should

be done in the next two or three years, while there is still a Scheme Management presence on the project, to ensure a secure future for MMFCS. And this responsibility should clearly rest not only with the expatriate Scheme Management, as proxy for the overseas donor, but also with the various Kenyan agencies who have been involved in the planning and implementation of MMRDP.

Recommendations for the Project's Future

MMFCS was originally created for a specific purpose - the acquisition of land for settlement of members - which has now largely been realised. Despite the fact that in a formal sense MMFCS has approved the extension of its activities in the shape of the much expanded MMRDP it is by no means clear that the bulk of the members feel any involvement in the wider project. This may have been a failing in the original project design - but the question now is what can be done about the existing situation. Much depends on whether the tide of comprehension is felt to have turned, or at least to be on the point of turning. The atmosphere at the recent AGM mentioned above was an encouraging, but so far isolated, indication of the sort of change of attitude which is needed.

In any event, it seems certain that there should be efforts to make specific and continued programmes in the field of co-operative education and that funds should be made available for human and social as well as physical and agricultural engineering work. (With the benefit of hindsight such an activity should have been incorporated in the original project design - or rather, a detailed examination of MMFCS's situation and cohesiveness which might have preceded the project implementation phase would have suggested the need - if it had not caused the project to be abandoned at that stage).

However, the difficulties involved in pursuing such a programme should not be underestimated. Attempts have

already been made to run programmes of seminars and meetings for members both at central meeting places and out in the settlement areas, and it is by now certain that both time and patience are needed in large amounts to correct misconceptions about the "donor farm" not belonging to members, to put down rumours started by 'bush politicians' about the benefits they have promised from the project for their supporters (the most infamous being that every member would be provided with piped water, a stone house and a 'grade' cow once plots were allocated - none of these in fact featuring in the Settlement Plan) and to push home the old familiar development message that the project is only intended to provide a springboard - future results must depend on the efforts of the people themselves.

To bring members to an understanding of the project is one thing. Even more important for the long-term future of the Society is for all members to decide on the basis of this fuller understanding whether they wish to be fully involved in the wider project or not. (Even though a past AGM of the Society did formally approve the expanded project it is by now obvious that this should not be taken as anything more than a legal sanctioning). It is difficult to see how the project can continue as conceived without the support of a majority of members when backing external to the Society is no longer there and possible internal dissention and parochial interests have free rein.

But for such a decision to be useful, there must be an alternative choice. A possible and realistic option would be as follows:

- a) The land and assets of the commercial farm would be transferred to a separate company which would also assume the liabilities of MMFCS in respect of the development loan and the responsibility of operating the farm on a commercial basis according to the provisions of that loan (i.e. with competent managing agents for the time being).

- b) the initial shareholders of this company would be the shareholders of MMFCS, but they would be able to sell their shares in the company without losing membership of MMFCS or their settlement plot.
- c) Members of MMFCS would receive title to their settlement plots (at present not envisaged until the development loan is cleared), giving increased security and collateral for credit.
- d) Services in the settlement area, boosted by the MMRDP for the time being, would continue at the same general level as available elsewhere in rural Kenya - i.e. at the standard which central government resources permit augmented by local "Harambee" and other development efforts. (These could of course come from the farm by decision of its shareholders).
- e) MMFCS would continue to operate as a rather low-key organisation providing services which members require and are prepared to finance directly. Any expansion of functions would be a gradual process organically generated. (Again, resources from the farm might be channelled in this direction in due course).

Presentation and discussion of the present project and the suggested alternative could provide the basis for a focused programme of co-operative education and development over the next two to three years, including a much greater staff training component.

The programme would also provide an opportunity to try to introduce more local democracy into the running of Society affairs by encouraging the formation of area groups to discuss local needs and priorities, and possibly to have these represented in the main Committee by a system of area representatives and elections. This would perhaps soften the rather remote and monolithic image which many members have of their society at present, and encourage more involvement in society affairs.

The need for such a programme should be specifically recognised by the project's sponsors and funds earmarked for the purpose, if necessary by diversion from the remaining grant funds. Both the Ministry of Co-operative Development, which has to date shown a greater concern with the formal position of MMFCS vis-a-vis MMRDP than with member education, and the Co-operative Bank which has possibly shown more interest so far in its high returns on working capital than in its long-term investment in the Society, should be encouraged to take an active involvement in this area.

Following this programme MMFCS could decide at a General Meeting which alternative was to be followed, with the Scheme Management remaining for as long as necessary thereafter to ensure a smooth hand-over of responsibilities to the relevant body.

It would in this author's opinion be totally improper for the supporting agencies, both local and overseas, to abandon the project in due course by taking the attitude - 'let them sink or swim now - we have done our bit' unless or until MMFCS is established firmly on one of the two courses outlined above, as either a thriving entity on the lines ideally envisaged by the project planners or a low key organisation unburdened by unwanted responsibilities and liabilities. It may have been premature to have brought this project to the area in the form which it now takes, but it would be thoroughly irresponsible to place in perpetuity on the members of MMFCS all the consequences of a decision effectively imposed on them, without giving them the means to resolve the situation.

If this is done as proposed it will indeed be possible in due course to judge whether this was an experiment worth repeating elsewhere (albeit modified by the experience gained) or one which presented a favoured group of people with an opportunity they were simply unable to grasp, and whose lasting effects in terms of land settlement might have been much more cheaply achieved.

SUCCESSFUL ADMINISTRATION OF A CROP LOANS SCHEME IN ANDHRA
PRADESH

by Clare Bishop *

One of the primary aims of rural development programmes is to mobilise local resources, particularly through the provision of agricultural credit. This article reviews the administration of a successful crop loans scheme operating in the Krishna District of Andhra Pradesh. Although the scheme is characterised by a high level of repayment among borrowers and is valued highly by the farming community, there are some reservations about this service which are discussed in the concluding section.

Arthik Samata Mandal (AASMAN) is a non-profit making, non-sectarian, non-party-political social service organisation working for the achievement of economic equality and social justice. It was established in 1952 by J.C. Kumarappa and Gora, both close associates of Gandhi. The project offices are based at Srikakulam village in the Krishna District.

As one of the strategies to stimulate rural development, AASMAN is developing selected villages into model villages through integrated socio-economic activities. The programme currently includes agriculture and land development, afforestation, animal husbandry, fisheries, education, health, women and child care, and care of the elderly. In addition to funding secured from commercial banks and government schemes, financial support has come from Action Aid, Save the Children Fund, OXFAM, Canadian International Development Agency (CIDA) and the Central Relief Committee (India).

Since 1979 AASMAN has administered a credit scheme financed by the Central Bank of India. Loans are issued for a

* The CLEAR Unit, Co-operative Union Ltd., U.K.

variety of agricultural and non-agricultural purposes. Short-term crop loans represent the major activity, with 1,145 loanees receiving Rs 2,546,250 during the period 1979 to 1985.* This review, focusing on crop loans, is based on information gathered in September 1985 during interviews with the Loans Officer of AASMAN and six farmers selected randomly from among those with a loan for the 1985 kharif crop.

Crop Loans Scheme

Crop loans cover seed, fertiliser and pesticide purchases, and hired labour expenses, and are normally sufficient to meet contingency costs. They are advanced during two periods each year to cover the kharif** and rabi*** crops. The amount of loan per acre ranges between Rs 600 - 1,000, depending upon several factors: labour requirements, and crop variety and yield, as assessed by the farmer. In turn, the farmer's character is assessed. Loans are subject to a limit of 2.5 acres of owned land per cultivator. Crops are hypothecated to the Central Bank until loans are repaid.

By negotiation with AASMAN, the Bank designates Srikakulam as an 'economically backward' area and proffers a lower rate of interest on loans (approximately 11.5 per cent as against the normal rate of 12.5 per cent for this area).

Defaulters

The scheme operates a group guarantee system whereby three loanees act as guarantors for each other. If one defaults, the other two will not receive their next loan until he has repaid. AASMAN also runs educational programmes to encourage borrowers to repay their loans.

* Exchange rate £ = Rs.16.30 (16 September 1985)

** Monsoon or rainy season

*** Winter season

The success of this system is reflected in the fact that only between 10-15 per cent of total borrowers default.

Crop Insurance

As from 28 September 1985, crop insurance is compulsory for all borrowers under this scheme. The sum insured is 150 percent of the loan amount. A premium of 2 percent of the sum insured is levied, of which one third is subsidised by the Government, one third by the insurance company (General Insurance Company of India) and the remaining third is met by the loanee.

Application Procedure

The scheme, covering six major and six small villages, is administered through AASMAN's office at Srikakulam. AASMAN does not charge either the Bank or borrowers for its services in administering loan applications and repayments.

A declaration form, supplied by the Bank and completed by the Panchayat representative (a member of the elected village council) gives details of land tenure for each cultivator. AASMAN also ensures that the loan applicant is cultivating any lease land cited. Once the declaration form is assessed, AASMAN forward details of the total requirement to the Bank. The Bank also checks the details of the loan applicant.

Stamp duty of Rs 5 is payable on both crop hypothecation and group guarantee forms (ie a total of Rs 10 is payable per loan application). Farmers not using AASMAN's services would incur additional costs for the provision of documentation (e.g. land deeds) and transport to the Bank. Moreover, they would pay 12.5 per cent interest on loans.

Repayment Procedure

AASMAN collects both the interest and the principal sum.

Receipts are issued on all repayments. Once repayments are completed and credited to the Bank, a Bank receipt is issued.

An Evaluation of AASMAN's Crop Loans Scheme

AASMAN's scheme directly rivals private sources of credit. Prior to the scheme, the interviewees used credit from large farmers or money-lenders, paying 2 per cent interest per month (ie 24 percent per annum) - a rate which was standard regardless of the size of the loan. In the absence of the scheme this year, five farmers thought they would have had to turn back to these sources for credit (the sixth mentioned he might have approached the local co-operative credit society). Indeed, recourse is currently made to private sources when farmers need credit over and above the crop loan.

All farmers interviewed cultivated land seasonally irrigated by canal with water from the Krishna river. The area operated ranged from 1.5 to 8 acres of wet land on which padi and black gram (a pulse) are double-cropped. The size of the loans received for the 1985 kharif crop ranged from Rs 1,800 to Rs 4,000.

There were three principal attractions for farmers utilising this scheme over other sources of credit:

- certainty of loan in terms of quantity, availability and timeliness. Once an individual is approved by AASMAN he is certain to receive a loan from the Bank whereas money-lenders were considered to be unreliable and could delay a loan advance;
- lower rates of interest; and
- stipulated repayment periods. Money-lenders sometimes restrict the repayment period without warning and may demand repayment immediately after harvest.

Investment and Savings

Within the last few years, the interviewees had invested their savings in agricultural and non-agricultural assets (eg purchasing wet land, poultry unit, housing sites and pukka housing under a Government scheme). Two farmers had additional savings which they had not utilised immediately: both had lent some money to relatives and one had deposited a sum at a bank.

Co-operative Credit Society of Srikakulam

To set the success of AASMAN's credit scheme in context, one need look no further than the experience of the local co-operative credit society administering a similar crop loans scheme supported by the Co-operative Central Bank. The society, established in 1958, is presently characterised by a low level of usage by members and a high rate of wilful defaulters. Membership is open to landowners and landless farmers: from a total catchment of 10,000 farmers, 2,400 are members of whom only 500 currently borrow from the co-operative. At present, at the end of each financial year, about 60 per cent of borrowers, including both large and small farmers, wilfully default.

Originally the Society had the dual objectives of thrift and credit. The thrift system was cancelled in 1973 by the Board of Directors due to members' reluctance to save with their co-operative, even though it gave an extra 0.5 per cent interest over scheduled banks. This disinterest is taken to reflect members' lack of faith in co-operatives.

The Society has seen better days but over the years it has faced the setbacks of embezzlement of funds by elected officers and State involvement with co-operative democracy. When asked how this Society fared by comparison with others in the Krishna District, the Secretary estimated that from the total of 250 registered societies, approximately 90 per cent are operating at a loss for similar reasons (ie defaultation and embezzlement).

Only one of the farmers interviewed was a member of the local co-operative. He had taken loans from the Society in the past but now considered the credit limit to be too low (although from 1981 this has been extended from a maximum of five up to ten times subscribed share capital). The others were not interested in becoming members.

Conclusion

The six loanees interviewed were all satisfied with the AASMAN-administered credit scheme. It releases them from the uncertainty of seeking finance through money-lenders or large farmers. Moreover the scheme offers tangible benefits in comparison with other sources of bank credit through lower interest rates and reduced administrative costs. In addition one mentioned the scheme had enabled her to save and purchase land, and another to increase his area of cultivation.

However, there are two reservations about the scheme. First, AASMAN does not charge either the Bank or loanees for this service; thus the real costs of administering this scheme are borne elsewhere in the AASMAN programme. Whilst it is recognised that the work of AASMAN has done a tremendous amount to stimulate rural development in Andhra Pradesh, in the longer-run participants must meet the associated costs. This is essential if communities are to be encouraged to become independent and self-supporting, and if the programme is to develop in new directions. Since AASMAN undertakes much of the paperwork on behalf of the Bank, there may be a case for the Bank to meet at least some of the administrative costs.

Second, the scheme fails to take advantage of the savings which are evidently being generated within the local farming community. More loan activities could be undertaken if farmers were encouraged to deposit their savings, even only for a short time whilst they accumulate the sum required for their next purchase. Thrift services would develop the

credit scheme as a self-supporting activity, and surplus revenues generated by either activity would contribute to the operating costs.

Since this objective ties in very much with the original activities of the local co-operative credit society, there may be a case for the activities of the latter to be revitalised through support from AASMAN. Alternatively, AASMAN may consider registering this scheme as a thrift and loan society (with open and voluntary membership, democratic participation etc), requiring members to deposit a fixed amount of monthly or annual income in order to build up a loan fund.

In either case, it is likely that AASMAN will be involved in the early development of such a scheme since it has already gained considerable experience and generated goodwill as administrators of the current scheme. It must be recognised, however, that member participation in decision-making, management and supervision is essential if the new scheme is to be established as an effective and independent co-operative society.

CO-OPERATIVE ASSOCIATIONS FOR NOMADIC HERDERS IN NIGER

by Jeremy Swift * and Angelo Maliki **

The failure of the small number of attempts at creating co-operative structures among nomadic pastoralists in Africa has been taken to mean that there are special difficulties in identifying potential co-operative groups in such societies, or even that the fiercely individual herders are unable to co-operate for the common good, as in the discussion of the so-called "tragedy of the commons" (1).

The lack of co-operative development institutions has contributed importantly to the poor record of pastoral development in Africa. Without an appropriate institutional framework, there are no channels for government on the one hand, and herders as a group on the other, to communicate with each other about development. There can be no dialogue, and no participation of herders in formulation of policies and projects. There is no effective demand for improved services, since herders deal as individuals with the powerful bureaucratic machinery of the state, which has more incentive to respond to its own internal logic and the demands transmitted from higher up. Occasional attempts at training primary health care workers for people or for animals have largely failed because such people are isolated within their community, and are rapidly seen as a low-cost extension of the bureaucracy. Without an institutional framework, natural resource management is impossible. Programmes involving economic co-operation between pastoral households, such as group credit, are difficult, and important economies of scale, for example bulk cereal buying for the dry season, cannot be captured. It is also difficult to identify or implement productivity-raising

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technical packages of the sort urgently needed if African pastoralism is to contribute more successfully to better food production and livelihoods in the dry areas.

There are indeed problems in designing co-operative structures among African pastoralists. In the West African Sahel, the subject of this paper, the lineage and status group structure of pastoral societies is in most cases neither appropriate nor effective for this purpose. There are substantial differences between and within ethnic groups in the way these structures operate, ranging from some very hierarchical Twareg to very egalitarian WoDaaBe. Traditional social and political units are of widely varying sizes; traditional chiefs have varying powers; there is little economic and social homogeneity; and different levels in the hierarchy do not usually share a common development interest. In most cases the traditional social and political structure was severely shaken at colonial conquest and during the period of colonial administration, and since independence Sahelian governments have denied it any legitimacy, especially for resource management. Administrative powers devolved by the state to traditional chiefs have varied widely and have changed often. Sahelian governments have occasionally tried to reinstate some of what are claimed to be the traditional powers of tribal chiefs, but these attempts are not realistic; where it still exists, the traditional tribal structure is often now little more than a vehicle for rapid economic and political stratification.

However, the failure of development programmes to identify a traditional structure appropriate for modern development among Sahelian pastoralists does not mean that herders in the bush do not co-operate. They do work together on many essential tasks, especially management of herds, water and pasture, some co-operative labour enterprises, and some marketing. There are many traditional group mechanisms for sharing risk. Informal co-operative units of this sort are well adapted to the pastoral environment because of their

small size and flexibility. It seems likely that such functional units, built up and reinforced, could provide the nucleus of an institutional framework able to perform the development tasks listed above.

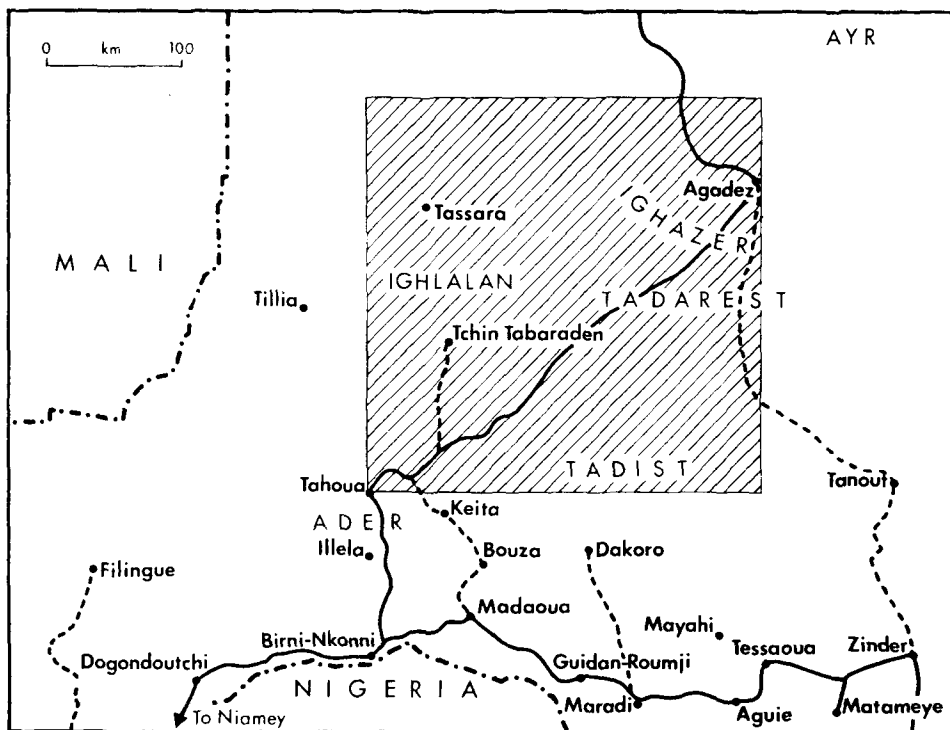
The Niger Range and Livestock Project

It was with this idea that the Niger Range and Livestock (NRL) Project, implemented by the Ministry of Rural Development, and funded by the Niger government and USAID, approached the problem of pastoral development in central Niger between 1979 and 1983. The project objectives were to conduct research and pilot interventions and, on the basis of the findings, to design a major livestock development project. The project area, about 81,500 km² of Sahelian grassland, is situated between the 100 and 350 mm isohyets in central Niger (Figure 1). Its main inhabitants are Twareg and WoDaaBe nomadic herders; pastoral FulBe and Tamasheq-speaking agropastoralists are a second major group; sedentary Hawsa farmers cultivate especially in the extreme south of the zone; and there is a small Arabic-speaking herding population in the north-west. Project air surveys, administrative census and ground surveys suggest a dry season population of around 291,000 people, including 111,000 Twareg and Arab herders, 43,000 WoDaaBe/FulBe herders, 63,000 Twareg agropastoralists, and an unknown number of Hawsa farmers. An estimated 130,000 people in the zone are pure pastoralists, practising no agriculture. Project air surveys and livestock service records estimate the area to contain between 289,000 and 377,000 cattle, between 780,000 and 1.1 million sheep and goats, and between 70,000 and 156,000 camels depending on the season (2).

The first two years of the project were mainly devoted to research and to detailed discussions with herders about their analysis of problems and their ideas for future development. It was soon felt that there was a need to establish project credibility with herders by showing that

Figure 1

Location of Project Area



the project could implement proposals that had been jointly identified; that the priorities identified by herders were both sensible and in most cases achievable; that it should be possible to build on these initial programmes, encouraging both herders and the project team to acquire experience of co-operation which would make the more controversial programmes that might eventually be recommended (such as range management) more feasible. Such an approach also gave time to the range management team on the project to develop feasible proposals for raising the productivity of rangelands.

To accomplish these goals, the NRL project team fixed on small-scale herders' associations as the major development institution. By the end of the project at the end of 1982, ten such associations, including both Twareg and WoDaaBe herders around Abalak in the Tahoua Department, were functioning well, and the development of the association programme was the major thrust of the five-year follow-up project. The following paragraphs describe the main association programmes (3).

Constitution of Associations and Office Holders

An association is made up of between 15 and 30 families, that is about 100 - 200 persons. A group of less than 15 families might contain only members of one extended family, while a group of over 30 families would be too large, given the dispersal and mobility of Niger pastoralists, for common decision-making all year. The solution was an association which corresponds to cohesive traditional social units, situated somewhere between, on one hand, the extended family and the camp, and on the other, the migratory group and lineage segment. These are the units which do in fact co-operate in the daily activities and decisions of pastoral life. In the choice of members, there are thus two main criteria: kinship relations and geographic proximity. The members of an association are usually kin, who normally have close pastoral and economic relationships, and who live

together in the same dry season area, such as a valley or around the same well, and use the area's natural resources in common.

The members of an association are individual nuclear families or household production units. Membership is voluntary and is open to any family with the unanimous consent of the group's members. A member can leave the association at any time, after returning any goods, money or animals borrowed.

The members of each association elect office-holders. The term of office is two years, and no person can hold a post for more than three consecutive terms. Office-holders receive no salary for their association activities. The principle behind association offices is one of power-sharing. The idea is to fight against monopolisation of the life of the association by an individual or by a single family.

These are the main positions in an association:

The President. He supervises the functioning of the association, ensuring that it conforms to the internal regulations. He speaks for the members of the association, and is an intermediary between the association and the local administrative and technical authorities. The president does not handle any money, but he controls the activities of the section heads.

Section Heads. They are managers of the association credit programme, who organise the activities of their sections, handle money and take decisions, under the general supervision of the president.

Technical Advisers. They are trained by the relevant government service and by the NRL project, in fields such as human health, animal production and health, literacy, pasture management, well construction, maintenance and

management, and crafts. They provide members of the association with information, technical skills and commodities such as human and veterinary medicines. They are also intermediaries between herders and government services, increasing the flow of information and feedback in both directions.

Association Credit Programmes

NRP project research (Swift ed. 1984, 225-530; White 1984), and the herders themselves, identified lack of animal and other capital as a serious constraint to the development of pastoral production in the project area. A credit programme targeted at particular identified needs seemed the appropriate response, and the association structure provided the framework within which it was possible to plan a group credit scheme for nomadic herders. There was no other source of credit for the great majority of poor herders, although the need for additional animal capital is shown by the increasing number of production units which are "share-herding" animals entrusted by non-pastoral owners on very disadvantageous terms for the herders. In the longer run, the credit programme is seen as the first step towards the development of a set of new financial institutions in the pastoral zone which will mobilise rural and other savings, and pastoral zone financial flows generally, more effectively for pastoral development than at present.

From the beginning of its life, an association is allocated a revolving credit fund to encourage productive activities and to increase its own capacity for sustained economic growth. The activities to be financed are those identified by the herders and by the project as having priority in resolving constraints on pastoral production. The credit programme is also intended to build up herders' confidence in the willingness and ability of the project to perform as an effective partner for development, and provides experience for association members in group decision-making about new activities, record keeping and accounting.

The revolving fund of each association is about US\$ 6,000, for an association of about 20 families. This fund is divided into several small sums, or sections, according to the activities the members of the association decide to undertake. No section can use more than 50 percent of the revolving fund. In this way, the sums involved are quantities the herders are used to handling. The revolving fund is a loan, not a grant. It has to be paid back over 4-6 years, with interest calculated at a rate designed to cover administrative and financial charges. Income for repayment comes from profit from the activities of each section and from the membership dues (4).

Each association has a range of activities it may undertake with its revolving funds. Herders themselves vote at their association's general meeting held every two years, on what activities among those approved by the project should be undertaken and what proportion of the revolving fund each activity should receive, subject to the 50 percent limit. The activities chosen and the proportion of the revolving fund allocated to each vary from association to association, depending on how members rank their problems. The most important activities the first ten associations decided to undertake were as follows:

a) Cow-calf herd

Many herding families do not have herds large enough to meet their subsistence needs. Death and sales of animals in the drought of the early 1970s started this process; since then many herders have not been able to restore their herds to pre-drought levels. Poor families have been forced into alternatives outside the pastoral system (migrant labour, for example), or within the pastoral system ("share-herding" of animals which belong to non-herders, such as merchants, farmers or civil servants). The herders' association cow-calf or reproductive female scheme is intended to provide association members with a minimum of working capital

by building up herds in herder ownership to a reasonable subsistence level. It also increases milk available for household consumption, and provides the association with a cash return when the females are sold.

Rebuilding a minimum herd for member families of the associations is expected to reduce the need for migrant labour by herders to Nigeria and the West African coast. This migration takes place in the dry season and adds to the severity of the dry season labour constraint. By reducing migrant labour in this season, the herd reconstitution programme run by associations will make more labour available in the herding economy at the time when it is a critically scarce resource. Another goal is to raise the general level of herd productivity to that of herder-owned and managed herds, from the lower level of productivity in herds where the presence of a significant number of entrusted animals often means that the herder cannot or is not encouraged to manage his herd in the traditional labour-intensive way.

To carry out the programme of his section, the section head buys female animals (cows, camels, sheep or goats, according to the association) at market. These animals belong to the association, and are loaned to the poorest members according to the principle of traditional loans: the offspring belongs to the borrower. After the female has given birth twice, the animal is loaned to another member or sold.

b) Growing-out herd

Poor households are now obliged to sell very young animals at low prices and at bad times of year in order to buy cereals and other essential goods; most animals are sold at one or two years of age, well before the optimal age for sale (Swift ed. 1984: 298-405; White

1984). In this situation, the herders carry the full risk of mortality during the first year (25-35 percent for cattle), but cannot take advantage of the rapidly increasing value of their animals in the following three or four years, when mortality risk is much lower, probably around 5 percent, and labour and other costs of herding are low.

The objective of the growing-out programme is to ensure a more equitable distribution of the value added in pastoral zone rangelands by allowing the herders who have carried the full risk of the first year to capture a larger share of the value of the growth of their animals over the following three or four years. The growing out programme will also contribute to a rationalised policy of national stratification of livestock production: male cattle complete the rapid growth of their first few years in the pastoral zone, which is best suited to this, since growing out is impossible in the agricultural zone and the government ranches have limited capacity. The programme will also contribute to a better overall balance between animals and pasture in the pastoral zone, since most grown-out animals are sold at the end of the pasture-surplus rainy season, allowing considerable de-stocking each year before the pasture-deficit hot season. The programme will not increase the total number of animals in the pastoral zone, because animals are either bought directly from association members or at local markets, and are thus transfers of ownership to herders from the non-herders who would otherwise buy them as an investment.

To carry out this programme, the section head responsible for growing-out buys young male animals, which belong to the association, but are distributed for herding among the members. The animals are kept for periods ranging from a few months to one or two years. When they are sold, the money is used to repay

the revolving fund and a part is also distributed between the members.

c) Short-term Credit

One major problem in pastoral production is the vulnerability of herders to market price fluctuations for livestock. Herders sometimes take an animal to a distant market or to a series of markets, but are offered low prices because few traders are there that week. The herder may nevertheless have to sell in order to buy cereals or other essential goods.

The short-term credit programme provides small loans to association members. This gives the herder the chance of delaying sale for up to about a month in the expectation of a better price for his animal, but to buy the cereals or animal production inputs he needs all the same. Another use of this programme is in connection with the associations' crafts programme: short-term credit enables women to buy the raw materials for artisan products such as palm fibres to make mats, or leather and ink to make leather goods.

The money allocated to this section is managed by the section head. Loans can normally be no less than 5,000 FCFA (US\$ 16-17) and no more than 15,000 FCFA (\$45). Loans are repaid within a period decided by all the members of the association (between three and five weeks): rapidly increasing interest rates are charged on loans over this period. The fast turnover of short-term credit funds and the calculation of interest payments provides excellent training in book-keeping for association members.

d) Cereal Fund

Although herders meet part of their food needs by drinking milk from their herds, for most of the year

they have to buy food from outside the pastoral economy, and during the dry season all herding families eat mainly millet. Poor herders especially depend on millet, since they have fewer animals and less milk. Terms of trade move against herders in the dry season, since cereals prices are high then and animal prices are low.

The cereal fund is a seasonal loan which enables the association to buy cereals in bulk when prices are low, store them under members' control and sell them to members when they are most needed. It enables herders to plan animal sales and sell when prices are best; to avoid wasting scarce dry season time buying small quantities of cereals, which means frequent trips to markets during the bad season, when the herds most need labour; to have the security that dry season cereal supplies are assured; and to pay less for cereals.

Cereal funds have to be repaid in full each year, together with a surcharge on each sack of cereals, which goes towards the progressive constitution of the association's own cereal fund. Subsequent years' cereal credit allocations, which are reduced each year by the cumulative amount the association itself has saved, depend on the timely reimbursement of the previous year's loan and on the association's record in constituting its own cereal fund, thus introducing an important element of financial discipline and a mobilisation of herders' own financial resources.

Association Service Programmes

Within each association, a member is chosen by the association itself as a veterinary auxiliary or technical adviser for animal health. The choice is based on availability, willingness and a knowledge of animal disease. During his first training session, the auxiliary learns to recognise and treat some of the commonest animal health

problems. He is provided with a small stock of basic medicine, and is encouraged to have regular contact with the Livestock Service agent at the nearest veterinary post. Within his own association, the auxiliary is a teacher and extension worker, helping to make others aware of treatments for particular diseases. During the annual vaccination campaign, he encourages other herders to take their animals to be vaccinated. He is not paid for his work, but receives a small mark-up on some of the drugs sold, although others are given free.

The NRL project and the Livestock Service trained 20 herders (13 Twareg and 7 WoDaaBe) as veterinary auxiliaries in a week-long session. Evaluation of their work after their return to their camps showed that they were treating many animals, in descending order of frequency, for sores, diarrhoea, external and internal parasites, conjunctivitis and buccal lesions; the great majority of herders whose animals were treated by the auxiliaries had never previously sought animal health care, indicating the important extension of animal health care made possible by the veterinary auxiliaries.

In each association, one member is also chosen as the auxiliary or technical adviser for human health. During a week's training session, he learns to treat, or refer to the clinic, the most common diseases, with priority given to diseases that endanger children's lives, affect adult's capacity to work or are considered important by the people themselves: these include in particular malaria, fever, diarrhoea, pulmonary diseases, vitamin A deficiency, conjunctivitis, rheumatic ailments, and gonorrhoea. For this the auxiliary is supplied with a small number of basic medicines, and is taught to record his consultations in a notebook. The auxiliary also helps with health extension, for example in vaccination campaigns. The auxiliary is not paid for his work.

The NRL project and the Health Service trained 9 health

auxiliaries (6 Twareg and 3 WoDaaBe). The curriculum covered principles of nutrition and hygiene, disease transmission, recognition and treatment of common complaints, drug dosages, and the identification of tuberculosis, measles, whooping cough and meningitis for referral to the nearest clinic (5).

Problems

Although the herder association programme is too recent a creation for a realistic evaluation, it is clear not only that it has been a successful first step towards organising Sahelian herders for development, but also that a large number of questions and problems remain.

One important set of questions concerns the relationship of the new herder associations to the traditional political structures. Although, as discussed above, traditional chiefs retain few of their original powers, and the lineage and status systems are not an appropriate organising framework for development purposes, the traditional structures remain in theory in place and even, in the absence of any more appropriate channel, are used by the government to communicate with herders in the bush. Niger government plans, especially the Development Society policy through which the countryside is intended to be organised in a participatory manner, are intended to provide a framework more appropriate for modern rural development; however, under the pressure of domestic and international events, recent changes have tended to strengthen once again the power of traditional chiefs, who are not equipped to handle such responsibilities. It is likely that the success of a co-operative pastoral development strategy of the sort the government has decided upon, with herders' associations as a first building block, will pose a threat to the aspirations of some traditional chiefs, and that as a result they will resist such a programme. This will be especially true if the programme attempts to implement the government's commitment to self-managed development from the ground up.

There is a danger that the pastoral co-operative structure could be captured by the traditional chiefs, particularly among the Twareg; the proposed higher co-operative level of the Pastoral Community, grouping several herder associations, is the most likely arena for this, since the associations are deliberately designed to be too small for this to happen easily at their level.

The associations are an attempt to create a new, relatively uniform, development-oriented organisational framework in a heterogeneous pastoral society. They have to strike a balance between the imposition of a single pastoral zone structure, designed to overcome obvious problems of traditional social and economic stratification and institutional capture, and provide real participatory power to poor herders, while avoiding forcing a Utopian model on traditional societies which have often evolved intelligent but widely differing ways of doing things in a difficult and risky environment. Traditional organisation, and production systems in which kinship plays an important economic role, are a component of this, and will remain an important reference point for herders within the associations; however a commitment to nation-building across ethnic lines means that the herder association programme cannot proceed on narrowly ethnic lines and that solutions must transcend ethnic particularities.

A similar type of problem arises with extreme status group differences and with regard to women. Twareg society in central Niger has an important ex-slave component and the first Twareg associations contain many ex-slave households. Where associations are made up mainly of such households, no problem arises, but where an association contains a mixture of Twareg and ex-slave households it will be some time before all households participate equally in association decisions, work and benefits. The government, through the association programme, has the difficult task of keeping up pressure towards an equal participation by ex-slave households, without jeopardising overall association

programmes. It will be relatively easy for associations to find a status quo in this respect not very different from the relationship between free Twareg and ex-slaves outside the associations; or even, since poverty of Twareg households is one of the main motives for ex-slave households to sever connections with them, for the association programme, by improving the welfare of Twareg households, to slow down the existing evolution in Twareg society. A similar problem of full participation exists in the case of households headed by women, which are not uncommon in pastoral society.

Women's activities are subject to similar problems. The NRL programme planned that women's activities, especially health matters connected with childbirth and infant care, should have an important place in early programmes. However, in most Twareg associations and groups where this was discussed, great hostility was shown by the men and, following their line, by the women also. Although what was proposed seemed innocuous enough - bringing in a trained Twareg woman to show all the adult women in an association some elementary mother and child health techniques - the men in some associations said they would rather have no association at all than accept such a programme. However, this reaction was not universal, and most WoDaaBe and a few Twareg groups were interested in the idea. In the event, there was no time under NRL to experiment with such a programme, and it may be that the demonstration effect, once a few associations had tried it, would change attitudes in the others. However, the lack of women with secondary or higher education - or even primary education in the WoDaaBe case - will make it hard to find people to staff such programmes.

A problem of a different sort will arise when the herder association programme has extended to a large proportion of the herders in a particular area. The formation of the first associations is relatively easy, since functioning units of small groups of households will be readily

available to be made into associations. Later, when a majority of households in the area are already in associations, it will become harder to identify and form associations out of the remaining households, which are likely to be poorer, more isolated and less easily organised precisely because they are more marginal and exist in the interstices of the main structural framework of kinship, geographic and pastoral relations in pastoral society. Although the NRL programme successfully targeted most of its first round of associations to poorer households, there is likely to be a persistent problem of very poor and marginal households, which will only be brought within the programme by a very sustained government commitment to this action.

The relationship between existing government services and the herder association programme is made easier by the national policy commitment to participatory, self-managed, and self-reliant development, and this should facilitate the necessary re-thinking of the role of many of the technical services (6). Experience in the human and animal health auxiliary schemes in the ten pilot associations suggests that there needs to be a clearer understanding, both by individual herders and by the technical services, of the role auxiliaries can play. Government services with inadequate budgets are understandably tempted to see auxiliaries as voluntary extension agents for government programmes, and to try to use them accordingly, or alternately to dismiss the auxiliaries either as incompetent or as competitors; herders on the other hand sometimes see auxiliaries as simple dispensers of free drugs from the government; the auxiliaries themselves, keen to practise their new skills but with a limited amount of time to spare from their own herding tasks, may find themselves uncertain about their own role and have second thoughts about spending a lot of unpaid time; alternatively they may come to see their auxiliary work as the first step towards a job in the most junior grade of the civil service. The herder association programme deliberately sought to multiply honorary posts within each association so that each

office-holder feels that he or she is one of several people doing jobs for the common good, but a change of perception is also needed on the part of civil servants as to the limitations - but also the real potential - of the auxiliaries.

The pilot associations were, for reasons outlined above, created as small functional units, but the proliferation of such associations will quite soon make necessary the creation of a higher level structure which to some degree co-ordinates the activities of individual associations and undertakes some negotiation with government services on their behalf. The NRL programme envisages the creation of Pastoral Communities of about ten herder associations as the next level in the structure, although none have so far been created. Clear dangers exist at this level both of institutional capture by traditional chiefs or other powerful people in the pastoral zone, and also of duplicating the top-down bureaucratic model whereby Pastoral Communities become a simple extension of the central and local government machinery. There is no experience to guide action on this, but it will be a major problem to be solved in NRL's successor project, the Integrated Livestock Project (ILP).

Many technical problems will need solutions in the next stage of the herder association programme, including especially literacy training and book-keeping, and supervision and drug supplies for auxiliaries. The credit programmes will face particular problems of risk from animal deaths, which will require an appropriate insurance scheme; faced by an unpredictable market, the cereal credit fund will need flexibility to cope with years when the normal pattern of prices is reversed and December millet prices are higher than those in June. In the longer-term it will be important for the associations to develop an early-warning system for potential famine years, and to have cereal security stocks against this event; the outline of such a system was developed by the NRL project and now needs implementation.

The relative success of institution-building in the NRL herder association programme also leads to a more general problem of technical innovations. The association programme will not reach its full potential if it does not introduce a technical package to raise herding productivity, and the associations provide an ideal institutions framework for such innovations. Although improved animal health through the veterinary auxiliaries, and better herd management resulting from the herd re-stocking through association credit programmes, will contribute to greater technical productivity, there is as yet no coherent and tested technical package of innovations. NRL range research generated interesting ideas about pasture management, some of which may be feasible without total pasture control, and some interesting animal production ideas came out of discussions with herders (especially concerning vitamin A deficiency, and the possibility of adapting cattle reproductive cycles through earlier pregnancy detection and targeted feed supplementation). The associations are an ideal forum for detailed and specific discussions with herders about such technical innovations, and the programmes so far have earned some credibility among herders, which will facilitate the introduction of new and more difficult ideas. The challenge now is to move rapidly towards the development and introduction of viable packages of this sort.

NOTES

1. This paper first appeared in slightly different form as paper 18c (September 1984) in the Overseas Development Institute (ODI) Pastoral Development Network. The work described in this paper was carried out under the Niger Range and Livestock Project, jointly funded by the Niger Government Ministry of Rural Development and USAID. Many NRL and other colleagues contributed to the work described here, including especially NRL Project Director, Dr. Ali Dankintafo, Mohamedun Abdourabi, Louis Loutan and Cynthia White.
2. NRL project research results are described in Swift ed. 1984, and mapped in Swift et al., 1984
3. For a more detailed description of the NRL herders' association programme see Swift ed. 1984, Swift and Maliki 1982; for a detailed discussion of some institutional issues arising in the creation of herders' associations in Niger see Thomson 1981.
4. For membership dues, the project designed a scheme appropriate to the herders' situation. Membership dues in cash would add another burden to herders' budgets. Instead, upon joining an association, each new member contributes one young ram to the association, and this contribution must be renewed every two years. The rams are kept in the members' own herds for one to two years, during which time they increase rapidly in value. When the fattened rams are sold, the profit goes towards the reimbursement of the revolving fund; once the revolving fund is repaid in full, the sale of membership rams helps make the association self-financing.
5. The NRL health auxiliary programme is described in greater detail in Loutan 1982a, 1982b.
6. See especially the Niger Government 5 Year Plan (Ministère du Plan 1980).

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CO-OPERATIVES FOR NUTRITION: LEAF PROTEIN CO-OPERATIVES IN
GHANA AND MEXICO

by Peter Fellows and Carol Martin *

A LEAF PROTEIN CO-OPERATIVE IN GHANA

A leaf protein production unit was established in the village of Kpone Bawaleshie, 23 miles north of Accra, in August 1984. It is now being used by three communities to improve the nutritional status of their children, to increase the daily income of the villagers and to provide additional funds for community development projects. This is the first development of its kind on the African continent.

Bawaleshie is a village of some 400 - 500 inhabitants located on the Accra Plains in Southern Ghana. The majority of villagers are farmers, growing maize, tomatoes, onions and peppers for sale in local markets or in Accra. The average income is equivalent to £1.00 per day. The staple food is maize, supplemented with cassava and plantain, and to a lesser extent rice and beans. Fish is eaten when affordable and palm oil is used regularly, although sparingly, in cooking.

Provided enough food is eaten therefore, the average adult diet provides sufficient energy, but protein-rich foods are either highly seasonal (fish, groundnuts, snails) very expensive (meat, dried milk, eggs) or not generally available (fresh milk and milk products). Similarly the diet of young children after weaning consists of maize/cassava gruel with very small and irregular amounts of fish or beans.

The low protein intake resulted in as many as one in ten of the children suffering from kwashiorkor ** before the age

* Find Your Feet, London.

** Protein deficiency disease in children.

of three, and a few developing marasmus * and subsequently dying. This situation was made worse in 1983 following failure of the rains, and the only practical solution was the use of donated emergency food aid. The villagers, however, realised that this could only be regarded as a temporary measure and approached "Find Your Feet" via the community nurse to investigate the potential of leaf protein as a practical permanent alternative to the high cost protein-rich foods which were beyond their means.

Establishing the Co-operative Organisation

The villagers of Bawaleshie are subject to the Ghanaian national and local government regulations, but in addition abide by the rulings of the village Council of Elders headed by the village chief. In practice the Council of Elders adjudicate in family or personal disputes and lead the villagers in decisions regarding development work or new ventures within the village. The detailed operation of new ventures is controlled by the Town Development Committee which is elected by a meeting of the entire village. These village meetings are called when communal discussion is necessary and are usually held on a Sunday afternoon under a large tree in the centre of the village. They are a forum for debate and anyone may speak. Such a meeting led to the decision to approach "Find Your Feet" in order to investigate establishing a Leaf Protein project in the village.

During an exploratory visit in 1983 the author (Peter Fellows) discussed the general outline of Leaf Protein production and its advantages and limitation.

Leaf Protein (LP)

The fractionation of green leaves produces three products: a protein-rich curd which also contains significant amounts

* Wasting.

Figure 1

Fractionation of Leaves

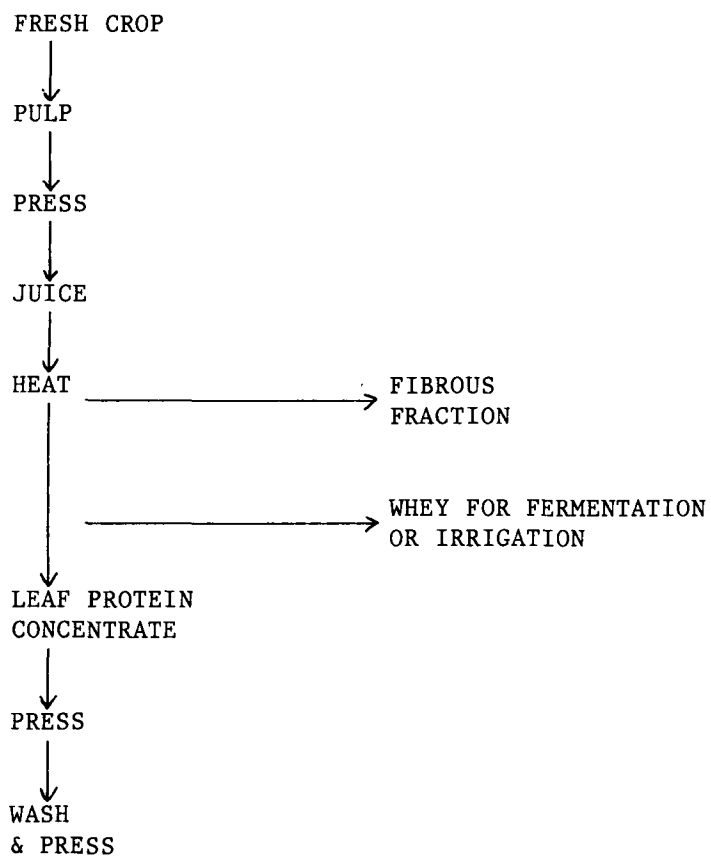


Table 1

Nutritive Value of Leaf Protein

	Provided by 20g of Leaf Protein	% of Daily Requirement
Protein	12g	52
Energy	70Kcal	5
Vitamin A (B-carotene)	17,600 IU	880
Vitamin E	5.6 IU	80
Niacin	5.4 mg	60
Magnesium	100 mg	80
Calcium	400 mg	50
Iron	18 mg	120

Table 2

Edible Protein Yields (U.K.)

		Kg protein/Hectare /Year
Animals	rough grazed	50 - 150
	intensively reared	100 - 200
	dairy herd	250 - 300
Crops	wheat grain	550
	potato	600
	field beans	840
Leaf Protein	lucerne crop	1,100
	wheat & mustard crop	2,000

of Vitamin A (B-carotene) iron, and calcium; a fibrous material suitable for ruminant fodder; and finally a sugary 'whey' which may be either fermented to alcohol, added to the fibrous fodder or used as a fertilizer to supply the minerals potassium and phosphorus.

The use of 10 - 15g of LP per day provides a substantial part of the nutrient requirements of young children (Table 1) and the sale of the other products may be used to generate income and cover the costs of LP production. Additionally, because the whole plant is used for fractionation, in contrast to other crops where only the seed or root is eaten, the yields of protein per hectare are among the highest in any agricultural system (Table 2).

A meeting of the villagers decided that a sub-committee of the Town Development Committee should be responsible for the leaf protein work in the village. A Projects Committee was chosen to represent the various identifiable groups in Bawaleshie (the different churches, the village youth, the village clinic, women's groups, the Council of Elders etc.) and later included representatives from the neighbouring villages of Nanomang and Abonya.

It was this Projects Committee that took detailed decisions regarding the formation of the project and the allocation of responsibilities for various aspects of the work. The allocation was made on the basis of educational levels and willingness to do the job. The posts which required literacy (treasurer, secretary and financial secretary) were taken by teachers at the village school.

Membership of the co-operative is open to all adult residents of the three communities upon payment of a small fee (equivalent to about 25 pence). Membership entitles the villager to sell leaves to the processing unit for immediate cash payment. The leaves are then processed by two full-time employees of the co-operative to produce LP, silage and alcohol. The LP is sold at a low cost (5 pence

per portion - sufficient for one day) to the patients at the village clinic and to children attending the nursery school. Silage is stored for sale as cattle fodder in the following dry season when natural fodder is in short supply, and the alcohol is sold to local spirit producers.

Detailed records are maintained by the production manager and accounts are recorded by the financial secretary. The project treasurer and project manager control the cash flow into and from the bank account and all aspects of the work of the co-operative are monitored by the Council of Elders in the village. Regular meetings of the co-operative members are held to discuss the numerous problems that have arisen during the first year of operation, but routine operational decisions are taken by the twelve members of the Projects Committee.

The author lived in Bawaleshie for three months, during which time the project was established. The committee met each Thursday afternoon, usually for 1-2 hours. Meetings took the form of discussions to solve immediate problems followed by longer term planning or policy decisions. Throughout this exercise the author maintained a position of project adviser, rather than problem-solver. When a particular problem arose the committee were given a series of possible options for its solution and indications of the potential advantages and limitations of each course of action. There would then follow a debate and usually a decision. Additionally the author identified policy decisions that needed to be taken, but rarely contributed to the ensuing debate.

This approach was initially resisted strongly by the committee with many members adopting the attitude "you are the adviser, you make the decision". This was consistently countered by indicating that after the three month visit the author would not be available and it would be better for the committee to gain the confidence of taking decisions from the beginning of the project. Some members of the committee

recognised the value of this approach and worked to convince the others of its usefulness. Slowly the committee took more decisions of greater complexity and with less advice from the author. After 6-7 weeks the committee did not ask for help to decide an issue but simply kept the author informed of developments.

There were two occasions when direct intervention in the decision-making process was required: on the first, the committee wished to exclude single mothers from the co-operative as they were considered lazy and irresponsible. After strong objections from the author the committee agreed to include them. On the second occasion, towards the end of the planning stage, there was disagreement over the price that the committee were proposing to pay for the leaves. The author considered that it was too high and the project would suffer financial losses, whereas the committee feared that if the price was too low the villagers would not participate in the co-operative. They over-ruled the objections and proceeded with the higher price.

LP Production

The process used for fractionating leaves at Bawaleshie is shown diagrammatically in Figure 1. With the exception of the pulping machine, all processing equipment was made by the villagers on site. The pulping machine was imported from Sweden to reduce the commissioning time but is designed and constructed in such a way that it can be made by a village blacksmith.

Quality Control

LP is similar to other foods in that it will spoil if inadequate attention is given to its production. The production manager therefore ensures that only edible leaves are used in the process and that adequate hygienic conditions are maintained, particularly during the washing and pressing stages of the process. In order to extract as

much protein as possible from the leaves, only young freshly cut plants are accepted. LP is either used fresh within one day or stored with salt for use in the dry season when production ceases for three months.

Perceived Advantages

LP is able to provide high quality protein at a fraction of the cost of more traditional protein-rich foods, in addition to generating income and employment in the village communities. The project is controlled by the members of the three villages, who not only benefit directly from selling leaves, but also indirectly from improved nutritional status and income for village development projects. Fractionation enables the utilisation of vegetation resources which were not previously exploited. Production is decentralised and transport costs for both raw materials and products are therefore eliminated. The income from leaves may often make the daily journey to market unnecessary and thereby save both time and travelling expenses. Equipment can be manufactured, serviced and repaired locally, thereby reducing time lost through breakdowns and generating additional local employment. Finally the process enables farmers to move from primary agricultural production to the more lucrative secondary food processing, using familiar raw materials, cultivation techniques and simple technology.

Operational Problems

The initial problems which occurred after establishing the co-operative were mostly due to failures in communication and personality clashes within the community. Two specific examples illustrate the nature of the difficulties that arose:

1. Various factions within the village are engaged in continuing argument issues of the day. The recurrent theme concerns the amount of power or influence that

each faction has over events in the village. It transpired, after a few weeks of operation of the co-operative, that the elected committee was predominantly from one of these factions. A campaign of misinformation began against leading members of the committee which involved the spreading of rumours about their honesty, drinking habits etc. This was also directed against members of their families and led, within a short period, to their resignation from the committee. The co-operative was thus deprived of the experience and expertise built up over the preceding months and was, for a short time, operating with little or no control. When a village meeting was held the committee members were able to convince the villagers that there had been no malpractice and they were asked to resume their positions.

2. After production of leaf protein had been underway for approximately two months the committee received financial details which indicated that the co-operative would make a substantial loss if production costs were not reduced. As the major production cost was for leaf purchase the committee reduced the price paid to co-operative members by 50 percent. This was done, however, without consultation or discussion with the co-operative members and it provoked a boycott of the co-operative which lasted for six weeks before the Council of Elders intervened.

Such difficulties have largely been temporary and soon forgotten, and the co-operative has continued at moderate production levels for 18 months at the time of writing. Provided that the committee are able to prevent production costs from rising significantly above their present levels and maintain the income from the three products, it is likely that an annual profit of the equivalent of £60 - £100 will be made during the next year.

A MOTHERS' PRODUCER CO-OPERATIVE IN MEXICO

In 1982 "Find Your Feet" (FYF) was invited by one of the inhabitants of a shanty village, Ejido Saltillo, in Baja California, to demonstrate a simple technique of extracting a nutritious concentrate from locally grown lucerne. The villagers existed on a deficient diet of corn and beans and, owing to the recent fall of the peso, has little access to meat, milk or fish. This leaf concentrate contains significant quantities of protein, iron, calcium and Vitamin A. It was fed to children aged six months to 14 years as a food additive over an initial period of four months. At the end of this period the local mothers asked FYF to expand the feeding from the original 58 children - all of whom remained in the programme throughout the four months - to 100 children.

It was then suggested to the mothers that they should form a group to produce the concentrate themselves and to market the fibrous by-product as cattle feed. After a number of the type of hiccups common to all programmes introducing a novel food, the co-operative venture is now running smoothly with a group of a dozen mothers working on a rota basis to produce a daily portion of 35 gms (2 tablespoonsfuls) of the concentrate, five days a week, for each of the children.

The programme is carried out within a framework of regular medical control and monitoring. The extraction machinery consists of a simple electrically powered pulper and press, built by a retired professor at the Agricultural Engineering Department of Wisconsin University. In 1983 it was donated by FYF to the group and installed in a hut next to the village church. This hut is named La Casa de la Salud (The House of Health) at the suggestion of the local priest.

After initially buying lucerne from local farmers, the women have now sown a small field of their own so as to have an independent supply. As all women in the village are not able for a variety of reasons to take an active part in

production, there is now a plan to sell portions of the concentrate in the village at a "mothers' price" and use the income to buy medicine for the children. Some pregnant mothers are also interested in using the concentrate themselves.

A recipe competition has produced a number of succulent dishes, and there is also talk of making a more generally marketable "Leaf Nutrient Cookie". FYF at present pays the woman responsible for looking after the production machinery and keeping the work moving, but all other work is voluntary and this particular payment will soon be phased out.

The improvement in the health and well-being of the children, which the mothers attribute to the concentrate, and the very favourable growth statistics which FYF has been able to collect and process (at the Nutrition Department of the University of California, Davis) have caused the local priest to request an extension of the programme to three other villages. The second has now started up with another 100 children.

The spin-off advantages of the Casa de la Salud include communal discussions of hygiene and sanitation. Another interesting feature of the programme is the fact that the village women, who have never before made any co-operative effort, are now happily working together and showing surprising enthusiasm in learning to operate the simple production machinery.

AGRICULTURAL CO-OPERATIVES, INNOVATION AND DEVELOPMENT
A CASE STUDY IN CATALONIA, SPAIN

by Mike Toogood *

It is often said that one of the main benefits of agricultural co-operatives is their diffusion of information to their farmer members (1). However, empirical studies of the effects of this information on farmers are, to say the least, rare. This paper attempts to answer some interesting questions which arise:

- Are co-operative members more innovative than non-members?
- Do agricultural co-operatives constitute an effective medium for the diffusion of information?

These questions were examined as part of a wider study in the context of Catalonia, Spain (2). Within Catalonia, the study concentrated on the comarca of Osona in the extreme north of the province of Barcelona (3). Here, interviews were conducted with personnel of agricultural co-operatives and with fifty-two farmers. The study was then extended to include the whole of Catalonia with interviews with the director of a co-operative in the Pyrenees and Government personnel.

Introduction to the Study Area, Osona

The comarca of Osona is situated approximately seventy kilometres to the north of Barcelona and consists of the Plain of Vic (altitude 400 to 600 metres) surrounded by more mountainous areas which rise to altitudes of over 1,700

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metres. Agriculture generally consists of a mixture of cultivation and livestock-keeping on family farms. Until approximately 1960, livestock-keeping was generally complementary to cultivation. Since that time, on the majority of farms, it has developed into the fundamental basis of the farm economy. As a result of this development, Osona now ranks as the most important milk-producing region of the thirty-eight comarcas in Catalonia, the second most important region for beef and ranks fourth in the production of pork (4). Crop production is now of much lesser importance and is largely orientated towards livestock production; the main crops are cereals, forage crops and potatoes.

The Plana de Vic Co-operative

At present, three agricultural co-operatives are based in Osona and a number of others based outside the comarca have members there. Of all of these the Plana de Vic Co-operative is by far the most important for Osona in terms of size (1,030 members), age and general influence on the agriculture of the area. This study has therefore concentrated on the Plana de Vic co-operative.

The co-operative was founded in 1966 and has gradually expanded its services to the present day. In its early days it acted mainly as a bargaining group, obtaining services and goods (medicines, compound feed etc.) for its members more cheaply than they could do individually. It is important to note that even at this early stage the innovative aspect of the co-operative was clearly visible; two of its earliest activities were the importation of pedigree cows from Denmark (1968) and the introduction of an artificial insemination service at a reasonable price.

Basic membership of the co-operative (which costs approximately 525 pesetas (5) to join and thereafter 1,050 pesetas per year (1983) entitles the members to use the following services:

- the co-operative shop where they may purchase fertilizers, insecticides, herbicides, seeds, medicines, small items of farm equipment etc;
- purchase of foreign pedigree stock via the co-operative;
- artificial insemination for pigs and cows;
- milking machine control service;
- veterinary service;
- possibility for members to sell their cereals to the co-operative;
- availability of technical advice and information on a wide variety of subjects including:
 - new crop varieties
 - new breeds of livestock
 - livestock feeding
 - livestock health
 - new methods of livestock keeping
 - new methods of crop production
 - new laws and legal developments
 - credit
 - agricultural processing societies.

Agricultural members may also become members of one or more of the three sections of the co-operative; the compound feed section, the milk section and the meat section. These sections are in addition to basic membership and each require investment in them to join. The compound feed section (450 members, 1980) requires investment at the rate of 1.8 pesetas per kilo used by the member per year (1983) (5). For the milk section (246 members, 1983) the members' investment is 500 pesetas per litre processed per day. The members' milk is collected in lorries owned by the

co-operative and taken to the co-operative factory where it is processed and bottled or put into cartons. The co-operative collects an average of 83,000 litres of milk daily (1984). The meat section is the smallest of the three (80 members, 1982). It owns a meat factory in Vic and a shop in the municipal market. Each member pays 1,000 pesetas per pig per year and 2,000 pesetas in the form of a banker's endorsement. On the whole, the Plana de Vic Co-operative is a good example of a successful medium-sized co-operative with a generally committed membership. It has made a very positive contribution to the economy of the comarca of Osona and has helped to keep a number of marginal farmers in business.

The Effect of the Plana de Vic Co-operative on Innovation and Development

The co-operative's director and technical officer were interviewed for the purposes of this study. Both considered the co-operative to have had an important influence on its members in terms of innovation. They stated that one of the main aims of the co-operative was "to raise the professional level of farmers in Osona" and they provided evidence to illustrate success in this field. One of the most striking examples of co-operative-promoted innovation has been in cereals and forage crops. The technical officer argued that prior to the founding of the co-operative, the commercial salesmen sold so as to obtain the best profit for themselves and were not generally interested in what was best for the region. Since then, the co-operative has had a continuous programme of testing different varieties of wheat, barley and maize so as to determine which varieties are most suited to the region. They have found that some of the newer varieties can obtain significantly better average yields. The results of these tests are published in the co-operative's quarterly bulletin and promoted by the co-operative advisory staff. Acceptance of the newer, more-suited varieties has gradually increased; for example, in 1978 75 percent of the wheat sold by the co-operative was

of the traditional estrella variety. By 1982, this had declined to 27 percent while three newer varieties, talent, caton and anza, accounted for 34 percent, 15 percent and 23 percent respectively. The technical officer also considered that the co-operative had played an important part in the change from cereal and potato cultivation to forage crops, in particular, long duration grasses.

The manager of the co-operative stressed the effects of the milk section on its members. The commercialisation of milk before the co-operative was characterised by mistrust between the private milk companies and the dairy farmers, and by the instability of prices. It was normal for milk prices received by the farmers to drop in the summer and it was not unknown for a milk company to refuse to accept a farmer's milk if the company already had sufficient. On the other hand farmers were on occasions known to have added water to the milk they sold. The co-operative managed to purchase a milk factory which came on the market in 1977, against strong competition from private companies. Since then, the milk section has developed quickly, members investing heavily in the factory. The co-operative's milk section has affected its members in a number of ways. Perhaps most important is the vastly improved link between the farmers and commercialisation. The farmers are now guaranteed a stable price for their milk throughout the year and the quality of the milk has improved greatly. The co-operative has directly promoted innovation by its system of payments for the members' milk; bonuses are paid for certain aspects of quality such as refrigeration and cleanliness. Indirectly, the co-operative has resulted in the development of members' dairy holdings through the increased confidence it has generated.

As mentioned earlier, a questionnaire survey was conducted with a total of fifty-two farmer respondents. Of these, thirty-nine were co-operative members (thirty-seven were Plana de Vic Co-operative members) and thirteen were non-members. A number of questions referred directly to aspects of innovation and development.

Co-operative members were asked if they considered their co-operative to have been an important source of information which had helped them in the development of their farm. A high proportion (71.8 percent) replied in the affirmative while nineteen of the twenty respondents who were from the Plana de Vic co-operative milk section replied affirmatively, thus supporting the co-operative management's view that the milk section in particular had played an important part in the development of members' farms.

Both co-operative members and non-members were asked to rank in order of importance what they regarded to be their three most important sources of information on agriculture. In the analysis of the results, the most important source was allocated three points, the second, two points, and the third, one point. Thus the relative importance of the various sources of information was calculated as shown in Table 1.

Table 1

The Relative Importance of Sources of Information on
Agriculture

Sources of info.	Agricult. extension service	A co-operative	Other farmers	Private vets	6 Camara Agraria	Compound feed coys.	Others
Co-operative members *	59 (27.4%)	84 (39.1%)	20 (9.3%)	15 (7.0%)	31 (14.4%)	4 (1.9%)	2 (0.9%)
Non- ** members	12 (21.0%)	0	23 (40.4%)	6 (10.5%)	7 (12.3%)	4 (4.0%)	5 (8.8%)

* Total of 215 points

** Total of 57 points

For twenty of the thirty-nine members, their co-operative is clearly the most important source of information. Non-members regarded other farmers as their most important source which would indicate that they are generally laggards in the modernisation process.

The importance of the co-operative in the innovation and development processes can be further illustrated by comparison of selected aspects of innovation and development on co-operative members' and non-members' farms. All the respondents were asked: "Which of the following changes have occurred on your farm in the last ten years?" The answers were as follows:

1. A change in crops. There has been a tendency in Osona to change from the more traditional cereal crops to newer varieties, or to forage crops to feed the increasing quantities of bovine livestock.
2. A change in the type of livestock. This might result from attempts to improve the breed or from specialisation in fewer types of livestock-keeping activity.
3. Construction of a milking parlour. An affirmative answer would indicate an improvement in housing for the dairy herd and probably increased mechanisation and efficiency.
4. Construction of a pig unit. As above this would indicate an improvement in housing and possibly an increase in the amount of stock kept.
5. Purchase of a refrigerated milk tank. This would result in easier handling of the milk and better storage.
6. An increase in the area of the farm. The purchase or renting of a larger area can positively affect the farm

in a number of ways, perhaps most importantly in Osona. It can allow greater self-sufficiency in feed, thus decreasing dependency on expensive compound feed. It would almost certainly denote a strong commitment to a future in agriculture.

7. An increase in the number of stock. The last twenty-five years have seen a massive increase in livestock-keeping in Osona with a change from a traditional to a modern intensive stock-keeping system. Any farm which has not participated in this change would be the exception and unlikely to continue for any great length of time, given the economies of stock-keeping.
8. Use of artificial insemination. The use of this system to improve the quality of stock is now widely recognised. It provides a useful measure of modernisation because of its relatively recent introduction and acceptance in the study area.
9. A change of milk production. While this represents a very major change in the farm system it cannot really be taken as an indication of modernisation. The question was included in response to a comment from the Plana de Vic Co-operative management that, as a result of the success of the co-operative dairy section, some farmers had changed to milk production.
10. Membership of an agricultural processing society (7). Membership of one of these groups would imply an appreciation by farmers that they cannot do everything alone if they want to modernise. It would also indicate a more open attitude to their fellow farmers and a belief in co-operation on the farm.

The results of this section are presented in Table 2. It can be seen from this Table that in every aspect of change a greater percentage of co-operative members have changed than

Table 2

Economic and Technical Changes in the Last Ten Years

	Co-operative members	Non-members
	%	%
1. Change in crops	26 (66.7)	4 (30.8)
2. Change in the type of livestock	18 (46.2)	3 (23.1)
3. Construction of a milking parlour (sample of those with dairy herds)	8 (23.5)	1 (12.5)
4. Construction of a pig unit (sample of those with pigs)	25 (67.6)	6 (54.5)
5. Purchase of a refrigerated milk tank (sample of dairy farmers)	30 (88.2)	5 (62.5)
6. Increase in the area of the farm	18 (46.2)	1 (7.7)
7. Increase in the number of stock	35 (89.7)	11 (84.6)
8. Use of artificial insemination	26 (66.7)	2 (15.4)
9. Change to milk production	1* (2.6)	0 -
10. Membership of S.A.T.	10 (26.6)	1 (7.7)

* Although only one farmer had started dairy production in the last ten years, one other was about to do so "because of the favourable influence of the Plana de Vic Co-operative". Another farmer had changed from a specialist pig farm to a specialist dairy farm.

non-members. This difference is very noticeable in the three aspects which in particular indicate innovation, namely: a change in crops, a change in type of livestock, and the use of artificial insemination. It would thus appear that co-operative members are innovators and consequently that the Plana de Vic Co-operative has been successful in achieving one of its main aims, that of raising the professional level of farmers in Osona.

A greater percentage of co-operative members than non-members are members of agricultural processing societies (S.A.T.). This alternative form of co-operation was, in the case of co-operative members, concerned with on-the-farm activities such as the group ownership of expensive farm machinery (similar to the machinery-sharing groups in Britain) or group ownership of livestock units. It is generally recognised that agricultural processing societies enable a group of farmers to modernise their holdings which they would probably be unable to do alone.

Generally, the picture is one of greater change and expansion among co-operative members supporting the Plana de Vic Co-operative management's view that it has injected dynamism into its members and urged them to develop and to modernise.

The Effect of Agricultural Co-operatives on Innovation and Development in the Pyrenees; the Case of the Cadí Co-operative

The Cadí Co-operative occupies quite a special place among Catalan co-operatives owing to its age and success. Prior to its formation in 1915, the comarca of Alt Urgell was characterised by the traditional crops of the Pyrenees, wine and cereals, neither of which were suited to the environment. The founder of the co-operative introduced dairy cows to the area and started the co-operative transforming the milk into butter and cheese. Thus, the co-operative was instrumental in the change from the

traditional self-sufficient, mountain, agricultural economy to a specialised, commercially orientated agriculture based on the cultivation of grass and the production of milk to which the area is very suited.

Similar to the Plana de Vic Co-operative, development of members' farms has been brought about by the payment method which places a very strong emphasis on the quality of milk which the members send to their co-operative. Technical advice is available, as are grants for items such as refrigerated tanks. As a result of these policies the co-operative is able to pay 25 to 28 percent above the state milk price. Furthermore, the average production on members' farms is approximately 5,000 litres of milk per cow per year while that on non-members' holdings in the area is between 3,000 and 4,000 litres on average.

Conclusions

Agricultural co-operatives in Catalonia have exhibited a clear modernising and innovatory influence on the agriculture of the region. In Osona at least, they are perceived by their members to be a more important source of information or medium of information diffusion than any other organisation. A similar view was expressed by Sr X. Mateu Llevadot from the Servei de Pla d'Obres i Serveis de Cooperació de la Diputació de Barcelona. He saw agricultural co-operatives in the Pyrenees as being more effective in diffusing information and injecting dynamism into their farmer-members than other institutions. As shown by the examples of the Plana de Vic Co-operative and the Cadi Co-operative, the results of this information diffusion are evident in the innovative characteristics of co-operative members.

NOTES AND REFERENCES

1. See for example: United Nations Department of Economic Affairs. Rural Progress Through Co-operatives, 1954. National Farmers' Union. A Report of the Study Group on Vertical Integration, London, N.F.U., 1964.
2. Toogood, M.J., Agricultural Co-operation, Rural Development and Migration - A Case Study of Catalonia, Spain, M.A. Thesis, University of Keele, 1984.
3. A comarca is a Spanish term referring to a natural region, used for administrative purposes, similar to the pay of France.
4. Brunet, J.M., et al. L'Agricultura Catalana, Fundacio Jaume Bofill, Banca Catalana, Barcelona, 1977, p.136.
5. At the time of the study, £1 was approximately worth 210 pesetas.
6. The Camara Agraria (Chambers of Agriculture) carry out some of the local functions of the Ministry of Agriculture.
7. An agricultural processing society (sociedad agraria de transformaci3n) is an organisation similar to a co-operative but with control according to capital invested.

FACTORS AFFECTING DEVELOPMENT OF AGRICULTURAL CO-OPERATIVES
IN KOREA WITH EMPHASIS ON THE FARMERS' CREDIT SYSTEM

by Won-Seok Chang and Kyoung-Soo Chang *

There had been various co-operative groups and activities in the rural areas of Korea long before the twentieth century. Among the diversified types of co-operation, the most important type was called Kye, which was organised by the people who lived in the same area or who were related to each other by a specific social objective. They collected a certain amount of money or grains or cloth, managed and multiplied the assets, which they divided among the Kye members (1). The origin of this early form of co-operative can be traced back to the Koryo Dynasty (918-1392 A.D.) or even to the Shilla Dynasty (57 B.C. - 935 A.D.).

This traditional co-operative movement gradually faded away toward the end of the Yi Dynasty. During Japanese rule, the rural countryside began to deteriorate rapidly, and the Japanese Government organised financial associations in 1907, followed by the establishment of industrial associations, agricultural co-operatives, livestock and fishery co-operatives. Among these government-sponsored organisations, the financial associations approached most closely the nature of a co-operative.

Immediately after liberation from the Japanese rule, there had been active attempts to develop modern co-operative movements in the rural areas. Legislative actions were taken, and public hearings were held on various aspects of agricultural co-operative organisations and their activities.

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The Agricultural Bank was finally established in 1956 through the reorganisation of the financial associations. In the following year, agricultural co-operatives handling economic business other than credit were organised. However, this two-way organisational arrangement for agriculture turned out to be inefficient. The two organisations lacked close linkage and operational efficiency due to duplication and competition in business activities. Harmony and co-operation between the two organisations were considered to be indispensable for the benefits of farmers as well as agricultural development. Thus, the Agricultural Bank and the farmers' agricultural co-operatives were merged into the present multipurpose agricultural co-operatives in 1961, on the basis of modern co-operatives and in compliance with the new Agricultural Co-operative Law. They were organised into three different vertical levels: primary co-operatives at township level, county co-operatives at county level and the National Agricultural Co-operative Federation (NACF) as the national apex organisation. The federal system became two-tiered when the second tier district agricultural co-operatives were transformed into branch offices of NACF in 1981 mainly due to the rapid development of primary societies.

The NACF is an apex at national level with 152 branch offices and, as of September 1985, there are 1,467 primary societies i.e. one primary society in each sub-district level throughout the country. About 89 percent of 2,162 thousand farm households are currently members of agricultural co-operatives.

All the agricultural co-operatives are multipurpose in their business function. Not only do they provide credit but they also deal with other supporting services such as modern input supply, marketing, and even mutual insurance. However, the agricultural credit service is the most important activity in terms of annual turnover (see Table 1). This paper seeks, therefore, to review the farmers' credit system and to find out the factors that

Table 1

Turnover of Agricultural Co-operatives

Unit: million won, (£1 = 1,290 won)

	Marketing & Purchasing		Credit & Banking		Mutual Insurance		(as of 31.9.85)
	Turnover (A)	(%)	Turnover (B)	(%)	Turnover (C)	(%)	Total Turnover (D)
1962	15,192	39.7	23,062	60.3			38,254
1965	14,269	59.8	31,396	38.2	1,694	2.0	82,359
1970	146,239	32.5	234,341	52.0	69,721	15.5	450,301
1975	569,786	33.5	981,585	57.7	150,738	8.8	1,702,109
1980	1,524,842	24.3	3,939,604	62.7	821,893	13.0	6,286,339
1984	1,810,086	17.9	7,153,415	70.9	1,131,310	11.2	10,094,811

Source: NACF

strengthen it with a view to understanding the important role agricultural co-operatives have for farmers' welfare and rural development in Korea, and finally to discuss the problems in the development of co-operatives.

OUTLINE OF FARMERS' CREDIT SYSTEM

The agricultural credit system may be broadly divided into two categories, namely, institutional and non-institutional.

In Korea, the former consists of agricultural co-operatives,

commercial bank and quasi-credit institutions such as credit unions and village banks. The latter cover the private money market which includes money lender, trader, farmer and Kye (2).

Institutional credit in Korea has been supplied mainly (81.4 percent in 1983) by the agricultural co-operatives. The contribution of commercial banks to the supply of agricultural credit has been negligible and the supply of rural credit by various quasi-credit institutions is still small compared with that of the agricultural co-operatives.

The farmers' credit system in Korea is closely related to the agricultural co-operative system, and is thought to be one of the best organised and most effectively operated credit systems in Asia.

The flow of farmers' credit in Korea consists of four stages which are efficient funds mobilisation, effective funds allocation, productive use of credit, and voluntary repayment. Farmers, farmers credit institutions and Government play an important role in this cycling process.

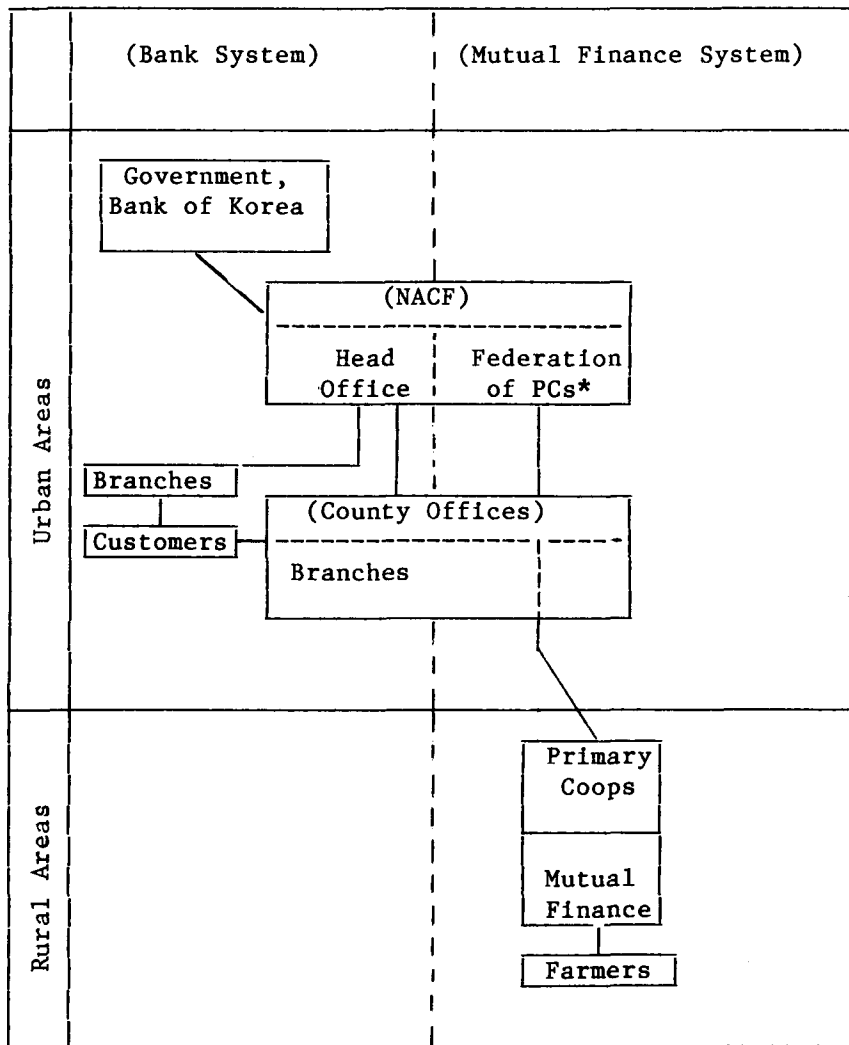
Characteristics of Farmers' Credit Institutions

As Diagram 1 shows, the farmers' credit system is composed of two credit institutions in one organisational setting, covering rural and urban areas. These two different financial institutions work complementarily to expand and develop farmers' credit through the co-ordinating operations of the National Agricultural Co-operative Federation (NACF).

NACF's banking sector is defined as a specialised bank. The specialised banks in Korea function as deposit money banks along with commercial banks. They were, however, established under their own special laws and their own specifically-defined financial purpose to complement the functions of commercial banks in the financial market.

Diagram 1

Scheme of Farmers' Credit System



* PCs = Primary Co-operatives

NACF's banking sector is specialised in banking services for farmers to finance farming and other agricultural projects. NACF, as other specialised banks do, receives Government funds as one of its financial sources in addition to the funds raised by receiving deposits from the public. However, the amount borrowed from Government has been getting smaller, compared with deposits from the public customers.

NACF as a specialised bank is made up of a head office and 394 branches of which 139 county offices act as a channel for mutual finance as well. But as far as mutual finance is concerned, NACF's head office is referred to only as a federation of primary co-operatives.

On the other hand, the mutual finance of primary co-operatives is considered as a credit union, which falls into the category of non-bank financial intermediaries, and receives deposits and makes loans for member farmers. Its business area is restricted to townships (Myon) where it is free from monetary control as compared with banking business. Within a maximum rate set by the Minister of Finance, NACF determines the interest rates which are usually higher than bank rates.

The mutual finance of every primary co-operative is considered an independent credit union and NACF's head office acts as a central federation for them.

Agricultural Credit Programme

Institutional farmer credit in Korea is divided into two categories: one is non-concessionary credit through the mutual finance of primary co-operatives and another is concessionary agricultural credit in which NACF plays an important role. Agricultural credit is mobilised by NACF, Government, and the Bank of Korea, and supplied through the Organisation of Agricultural Co-operatives, NACF and its member co-operatives.

Before the 1970s the main source of concessional agricultural credit was Government funds. NACF's deposits have, however, been getting important. Deposits share has been increased from 6.8 percent in 1965 to 41.4 percent in 1984. This indicates that agricultural loans could be expanded as NACF deposits are increased.

With these funds NACF supplies short and long-term loans for various purposes to farmers. Short-term agricultural loans have been supplied at the annual growth rate of 35 percent, while medium and long-term loans have been expanded by 37 percent annually. During the last year the loan totalled 1,073,5 billion won (537 thousand won per farm household) of which 550 billion won or 51 percent was short-term loan and 49 percent was medium and long-term loans.

Table 2 shows the outstanding of medium and long-term loans at the end of the year by purpose. Until the middle of the 1970s, agricultural development loans for the establishment of production base and income-oriented projects had been put in the top priority. As labour-saving farming and better living conditions became important, long-term loans for farm mechanisation and house-improvement were increased after the late 1970s.

Table 2

Medium and Long-term Agricultural Loans (bil. won)

	As at the end of years					
	1975		1980		1984	
	Amount	%	Amount	%	Amount	%
Irrigation	22.7	18.0	74.8	100.0	182.4	11.6
Agricultural development	96.2	76.2	341.7	45.8	436.3	27.8
Farm mechanisation	7.4	5.9	59.5	8.0	496.2	31.6
House improvement	-	-	266.3	35.7	393.5	25.1
Others	-	-	3.3	0.4	61.9	3.9
TOTAL	126.3	100.0	745.6	100.0	1,570.3	100.0

More than half of the agricultural loans provided every year go in short-term production loans which are distributed to most of the small farmers. These loans are very important especially in terms of small farmers' credit.

These loans have the following characteristics: first, they are made up of basic production funds provided preferentially to small farmers with concessional terms. Second, they are distributed not on the principle of market economy, but on the principle of social equity. Third, they are closely related to the Government strategy to increase small farmers' income through increasing paddy crop production, and the use of these loans is not strictly conditioned, while the medium and long-term loans are supplied with defined conditions from the lending stage.

NACF's deposit and the funds of the Bank of Korea (BOK) are the main sources of these loans. Table 3 shows that while BOK was the main supplier of these loans before 1975, thereafter this loan programme has relied gradually on NACF's deposit, and it is important that the remarkable expansion of the loan amounts after 1976 was made possible by the deposits mobilised by NACF in the urban areas.

Table 3

Short-term Production Loans

Amount (bil. won)	During the years						
	1961	1965	1970	1975	1976	1980	1984
	0.3	2.7	10.7	18.6	53.6	334.8	550.0
<u>Sources</u>	<u>Percentage of total</u>						
NACF	-	-	-	20.0	40.0	50.0	70.0
BOK	-	-	-	80.0	60.0	50.0	30.0
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: NACF

Mutual Credit Programme

Apart from the Agricultural Credit Programme initiated by NACF, the Mutual Credit Programme of primary societies has also performed an important role for farmers' credit use.

The Mutual Credit Programme was introduced as a test case to 150 advanced primary societies in 1969. The test performance in the first year turned out to be successful enough to extend the programme to the other primary societies. Thus the number of primary societies using the programme as regular business grew to 1,228 co-operatives out of a total of 1,549 primary societies.

From that time the Mutual Credit Programme has shown a tremendous speed of progress in both savings, mobilisation and loan extension in rural areas.

Progress in Savings Promotion. As can be seen in Table 4, the deposits of the Mutual Credit Programme has grown seventy times during the period of 1973-1984. In other words, the total deposit of the programme has increased from 30.3 billion won at the end of 1973 to 2,124.0 billion won at the end of 1984, showing an annual growth rate of 49.3 percent on average, compared to 27.2 percent of that of NACF.

In comparison with the total deposit of the banking business of NACF which is regulated by the Banking Act, the total deposit of the Mutual Credit Programme has grown from one-sixth of that of the NACF in 1973 to almost the same level in 1984. Moreover, the average deposit per primary society has also grown from 20 million won in 1973 to 1,450,0 million won in 1984. This development may imply that the stability of deposits in the Mutual Credit Programme has been enhanced.

Table 4

Growth of Mutual Finance

Year	Mutual Finance of Primary Co-operatives				Banking Business of NACF		A/B (%)
	Deposit		Loan		Deposit		
	Amount (A)	Growth Rate	Amount	Growth Rate	Amount (B)	Growth Rate	
1973	30.3	97.0	19.7	-	169.4	-	17.9
1974	59.7	97.0	34.1	73.1	215.9	27.4	27.7
1975	91.9	53.9	41.9	22.9	259.5	20.2	35.4
1976	160.1	74.2	67.7	61.2	358.3	38.1	44.6
1977	296.9	85.4	116.6	72.2	477.3	33.2	62.2
1978	447.5	50.7	186.8	60.2	678.0	42.0	66.0
1979	598.3	33.7	316.7	69.5	1,000.6	48.0	59.0
1980	823.8	37.7	528.0	66.7	1,172.1	16.8	70.3
1981	1,163.3	41.2	750.4	42.1	1,498.6	27.9	77.6
1982	1,571.5	35.1	1,213.8	61.8	1,805.1	20.5	87.1
1983	1,730.1	10.1	1,367.9	12.7	1,908.2	5.7	70.7
1984	2,124.0	22.8	1,584.5	15.8	2,278.0	19.4	93.2
Average		49.3		50.7		27.2	

Expansion in the Credit Supply. As the farmers' deposits to the Mutual Credit Programme increased, the primary co-operatives were able to expand their credit supply to member-farmers. For example, the total credit supply by the Programme increased from 19.7 billion won in 1973 to 1,584.5 billion won in 1984, showing an eighty times increase during the period.

The primary co-operatives had to be net borrowers to finance credits to member farmers in the earlier stages of the Programme. However, the primary co-operatives became the net investors to the NACF from 1973 on average. Although some developing primary societies are still net borrowers from the NACF, the number of borrowing societies has been decreasing.

A distinctive trend in credit uses of the Programme has been developed between the rural-type and urban-type primary co-operatives. The ratio of loans to the received deposits has been higher in the rural-type societies than in urban-type societies.

This may imply that the programme has been more contributive to satisfy the credit demand in the rural district and the role of the NACF as the headquarters of the Programme has been effective in smoothing out the regional differentials in demand and supply of loanable funds.

Among the total credit supplied by the Programme, production loans have constituted a major proportion. The second major constituent has been the facility improvement loans followed by household consumption and debt resettlement. The Programme loans have been supplied almost always in cash though in some cases the loans were related to the supply of home appliances according to the Co-operative Chainstore System.

FACTORS IN SUCCESSFUL DEVELOPMENT OF THE CREDIT PROGRAMMES

As mentioned in the preceding sections of this paper, the agricultural and mutual credit programmes have shown a remarkable development in credit supply, savings mobilisation, productive use etc. Compared with non-agricultural credits, the programmes were successful through the period of recession of the general money market in 1970 (3). But all these successes have not been attained without appropriate efforts to overcome the problems occurring in the course of carrying out the programmes.

The principal factors behind successful development of the agricultural and mutual credit programmes may be analysed as follows:

Table 5
Summary of Factors and their Effects

Effects Factors	Sound Farmer Credit Institution	Efficient Fund Mobilisa- tion	Effective Credit Supply	Produc- tive Use and Voluntary Repayment
(1) Role of NACF	X	X	X	X
(2) Role of Government	X	X	X	
(3) Interest rate policy		X	X	
(4) Lending through primary co-operatives		X	X	
(5) Self-regulation of M.F.	X		X	
(6) Education	X	X	X	X

The Role of NACF's Banking Sector

The banking business of NACF functions as one of the farmer credit institutions and also it plays a role to nurture other sectors of NACF with its funds and earnings. 27.6 percent of total deposits in 1984 was supplied to other business of NACF. When other businesses of primary co-operatives are vitalised, their banking business will be increased, because agricultural marketing and purchasing is connected with primary co-operatives and farmers, and more than 70 percent of the gross profit of NACF comes from banking business. With these profits, NACF provides farmers and primary co-operatives with various advisory services such as management, farming, education and training, cultural activities, and public relations etc.

Above all, since 1969 NACF has helped primary co-operatives amalgamate and provided management guidance with financial support for the sound growth of primary co-operatives. The rapid development of Mutual Credit is especially attributed to the management know-how about financial institutions given by NACF.

The Government's Role and Supplementary Systems

NACF was established by the Agricultural Co-operative Law enacted in 1961, and in the early 1960s the Farmer Debt Settlement Project initiated by Government laid the foundation for sound farmer credit. For this project Government funds were the main source of farmers' credit, when NACF's deposit was not enough. NACF was exempted from taxation until 1981, and even after 1982 only the minimum tax rate was imposed. It goes without saying that the tax exemption policy has helped NACF keep in the black with low profits.

With the help of Government, NACF provided lots of supplementary systems to expand agricultural credit at concessionary interest rates. Among them, the following are

Table 6

Structure of Interest Rates

	1972	1975	1977	1978	1979	1980	1981	1982	1983	1984
Agricultural Credit										
Short-term production loan	12.0		13.0		15.0			13.0	10.0	10.0
Agricultural development loan			10.5	12.5		18.5	15.0	13.0	10.0	10.0
House improvement loan				11.0		13.0	12.0			10.0
Farming mechanisation loan						18.5	15.5	14.0		10.0
Bank (NACF) loan	20.0	15.5	18.0	19.0		22.0	18.0	14.0	10.0	11.5
Mutual Finance loan	25.0	22.0	23.0	22.0		25.5	22.5	19.5	13.0	13.5
* Deposit (Time deposit over 1 year) Bank (=NACF)	16.8	15.0	16.2	18.6		21.9	17.4	12.6	8.0	10.0
Mutual Finance	20.4	15.5	17.2	19.8		23.4	19.5	13.9	9.0	10.5

Source: NACF

important schemes in shifting deposits acquired from non-concessionary loans to concessionary ones.

The gap between the low interest rate of agricultural loans and the high interest rate of commercial bank loans was covered by Government budgets in its scheme to compensate the interest gap. This scheme was effected from 1968 to 1976, and made it possible for NACF to supply concessionary agricultural loans with deposits acquired in urban areas.

The purpose of the scheme for pooling funds was the same as the interest gap compensation scheme. With this scheme, the interest gap between the agricultural loans and bank loans of NACF is, however, covered by the lower interest rate of Government and the funds of the Bank of Korea (BOK). This scheme was to expand the concessionary agricultural loans through the pooling of the NACF's deposits of a high interest rate and the Government and/or BOK funds of the lower than concessionary rate. This scheme was put into practice in 1977.

Credit Guarantee System: NACF with Government help has provided a credit guarantee service since 1972 in order to facilitate access to farmer credit for farmers without sufficient collateral. The Fund, which stood at 23 billion won at the end of 1984, was accumulated by the contributions of NACF and Government. The guaranteed loan outstanding at the end of 1984 totalled 298 billion won.

Dualistic Interest Policy

As Table 6 indicates, the interest of agricultural loans has been determined at a level lower than the bank loan rate, while the Mutual Finance loans' interest has been higher than that of the Bank. This dualistic system of farmer credit seems to be a contradictory policy at first sight. But these two kinds of loans with different interest rates has contributed to the sound development of farmer credit.

The reasons are as follows:

credit > decline of interest of informal credit > reduction of margin between Mutual Finance deposit rate and informal credit rate > considering the default risk of informal credit > increase of deposit of Mutual Finance. And the increase of the deposit makes the increase of the loan possible again. This accelerating effect has been another important factor to expand Mutual Finance. Table 7 shows that the loan/deposit ratio has been increased to over 100 percent.

Table 7

Loan/Deposit Ratio of Primary Co-operatives

Year (end)	Mutual Finance		From NACF	B/A (%)	B+C/A (%)
	Deposit (A)	Loans (B)	Agri. Loans (C)		
1975	91.9	41.9	9.7	45.5	56.1
1977	296.9	116.6	35.2	39.3	51.1
1979	598.3	316.6	381.2	52.9	85.7
1981	1,163.3	750.4	811.4	64.5	134.3
1983	1,730.7	1,367.9	1,203.9	79.0	148.6
1984	2,124.0	1,584.5	1,389.0	74.6	140.0

Source: NACE

Self-Regulation and Regional Funds Allocation of Mutual Finance

While banking institutions have been under the severe regulation of monetary authorities in the rapid economic growth during the last two decades, Mutual Finance as a non-bank savings institution has been enjoying self-regulatory fund management.

Mutual Finance of the primary co-operatives has been able to provide needed loans for farmers without delay. The NACF as the Federation of Primary Co-operatives has allocated surplus funds of urban primary co-operatives to rural primary co-operatives flexibly.

As Table 8 shows, substantial surplus funds mobilised by urban areas are poured into farmers in rural areas through NACF. This regional fund allocation has made a great contribution to the enlargement of farmer credit and to the improvement of management of small co-operatives.

Table 8

Regional Allocation of MF's * Funds by NACF
(As at end of June, 1983)

	Time Deposit with NACF		Borrowing from NACF		Surplus	Shortage
Primary Co-ops in Urban Areas	102.9	(77.5)	23.4	(13.2)	103.4	-
Primary Co-ops in Rural Areas	29.9	(22.5)	153.4	(86.8)	-	131.0
TOTAL	176.8	(100.0)	132.8	(100.0)		

* Mutual Finance
Source: NACF

Education

Education in the co-operative ideals and practices is a primary condition for co-operative societies. Even more important than the contribution of capital, is the subscription to ideals and values.

The ICA Commission of 1937 affirmed that education was an essential principle of the Rochdale Pioneers, and recommended that education be considered a secondary principle of co-operation. The 1966 Commission of Vienna declared: "All co-operative societies should make provision for the education of their members, officers and employees and of the general public, in the principles and techniques of co-operation, both economic and democratic" (4).

Proper education is one of the important factors to the development of agricultural co-operatives in Korea. Since 1966, the NACF has been operating the Agricultural Co-operative Junior College, the purpose of which is to educate prospective rural leaders, providing a two-year academic course. Our ninety graduates of this college have been employed every year and have worked as pioneers with co-operative ideals. Also, the NACF has established the Central Staff Training Institute and seven Provincial Staff Training Institutes to cultivate the practical business and managerial capability of officers and staff members of agricultural co-operatives. About 20,000 staff members have participated every year in the training courses of the institutes.

PROBLEMS IN THE DEVELOPMENT OF CO-OPERATIVES

Notwithstanding the remarkable performance of the programmes, a number of problems in farmers' credit still exist. The major ones include the following:

- a) A significant share of private loans in the rural areas (around 30 percent of the total credit supply to farm households).
- b) A certain degree of duplication between the mutual credit programme of the primary co-operatives and the Saemaul (5) credit unions, which are organised throughout the nation.

- c) Scarcity of available funds makes impossible the needed expansion of facilities, marketing programmes etc. Furthermore, it calls for financial support from the outside, hampering the spontaneous development of co-operative programmes and activities.
- d) Shortage of capital available from co-operative members. The generally low state of member's financial resources not only hampers active participation in the utilisation of co-operative programmes, but renders difficulty in the creation of adequate owned capital needed for the promotion of co-operative programmes and activities, thus necessitating external financial support and hampering the spontaneous and independent development of co-operative activities.
- e) Another factor which hampers the participation of members in co-operative programmes is the inactivity of marketing programmes. The basic causes of inactivity of the marketing programmes include:
 - i) lack of understanding and co-operation of members;
 - ii) lack of marketing know-how on the part of co-operative staff, and
 - iii) inadequacy of the systematic promotion of marketing programmes. Another basic cause of the inefficiency of marketing programmes lies in the fact that such marketing activities are in the form of sale of purchased goods rather than the form of sale by consignment.

- f) Excessive influence of Government and lack of democratic control though it is in some ways understandable, considering that agricultural co-operatives have been established as top-down organisations, mainly due to the immature environment for bottom-up organisations prevailing in rural areas.

CONCLUSIONS

Farmers, credit institutions, and Government should not spare any efforts to co-operate together in order to establish and strengthen the farmers credit system.

Because farmers suffer from low income and shortage of credit, it is desirable for the Government to support the supply of concessional farmers' credit as a selective monetary policy. Government should also bolster the credit institutions of farmers whose business is comparatively unprofitable. More Government help is needed at the first stage to establish farmers' credit systems.

Farmers' credit institutions as a financial enterprise in financial markets should be managed efficiently. Without sound growth of the institution itself, the sound development of the farmers' credit system is possible. In this sense, it was a very effective strategy that the farmers' credit system in Korea was constructed on the basis of sound growth of NACF's banking business.

The dual institution system of NACF's finance in the co-operative network has been proved to be efficient in mobilising funds and supplying credits. The Farmers' Credit Institution as a financial institution is required to be compatible with a financial market environment.

And the dual farmers' credit programme along with the dual institutions is also efficient in expanding farmers' credit. The concessionary agricultural credit initiated by NACF is

of low-interest, long-term, and strictly regulated. On the other hand, credit from the Mutual Finance of primary co-operatives is of high interest, short-term, and self-regulated. At a glance, these two credits seem to be contradictory, but they are complementary in reducing informal credit and expanding institutional credit.

It should also be kept in mind that the reduction of concessionary credit will be inevitable as the economy grows. It is therefore, wise to be gradually accustomed to the principle of competitive markets and to foster real, not theoretical, democracy (6).

Finally, it would be desirable to discuss the relationships between co-operatives and Government. As is generally known, co-operative societies belong to a private economy (Privatwirtschaft) rather than a public economy (Gemeinwirtschaft) which implies that the Government can only "help, not control", for its own sake and for the development of the co-operative movement (7).

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SOME ASPECTS OF CO-OPERATIVE MARKETING OF FOODCROPS IN
MAURITIUS *

by Beeharrylall Jeetun **

The economy of Mauritius is almost entirely dependent upon the production of sugar and on imports for its food supply. The Government is therefore very interested in diversifying agriculture by increasing the production of foodcrops and other products which are mainly in the hands of smallholders. The White Paper on Agricultural Diversification published in 1983 highlights the following targets:

- a) to reach a self-sufficiency level in respect of a selected range of foodcrops, for example onions, maize, garlic and ginger;
- b) to reduce the dependence on imported food;
- c) to develop the lands to the limit of their productiveness, and
- d) to set up a framework of marketing facilities, price stabilisation mechanism and institutions to solve the constraints on agricultural diversification.

* This paper is a summary of a survey undertaken by the author during the months May - August 1984 to evaluate the agricultural marketing co-operative societies in Mauritius.

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But these targets of agricultural diversification are confronted with serious constraints at the marketing stage, which can be enumerated as insufficient channels of distribution, lack of marketing infrastructure, losses resulting from damage due to poor handling and storage, and finally considerable crop price fluctuations.

Critical analysis and practical experiences in some developing countries and industrialised countries show that well-run co-operative societies with their potentially positive effects on socio-economic development can contribute to remove these constraints on agricultural diversification. As a result, the Government has assigned the co-operative sector an important role in the diversification of sugarcane production through production of foodcrops and in the import substitution strategy.

One of the main issues of agricultural diversification in Mauritius is therefore to revive agricultural production by small producers at national level, to encourage these small producers to group themselves on a co-operative basis for the use of land, storage of crops, and marketing, and to take steps to strengthen the agricultural marketing sector to enable it to become more viable and efficient.

THE GENERAL STRUCTURE OF AGRICULTURAL CO-OPERATION IN MAURITIUS

Before going into the co-operative marketing of foodcrops, a look at the organisational structure of the co-operative movement in Mauritius will give a better idea of the working system of its co-operatives.

The co-operative movement is organised in a three-tier structure. At the primary level, the local co-operative societies group individual members on a single purpose and/or single commodity basis. There are presently 645 such societies. At the secondary level, the primary co-operatives are grouped on a sectoral basis into various

federations in order to serve the needs of each sector more effectively. There are eight such federations. At the tertiary level, the Mauritius Co-operative Union (MCU) is the apex body to which most of the primary and secondary societies are affiliated. The MCU serves as the spokesman of the movement at the national and international level. The MCU is also responsible for the promotion of co-operation through educational and training programmes, publicity and propaganda.

The responsibility for the co-operative movement with the Government of Mauritius presently rests with the Ministry of Local Government and Co-operatives. During the last few years this responsibility has changed hands several times. In the first instance, from the Ministry of Co-operatives and Co-operative Development to the Ministry of Fisheries and Co-operatives; and subsequently, from the latter to the Ministry of Industry and Co-operatives. In January 1984, the co-operative sector went to the Ministry of Agriculture, Fisheries and Natural Resources, and now it is under the Ministry of Local Government and Co-operatives.

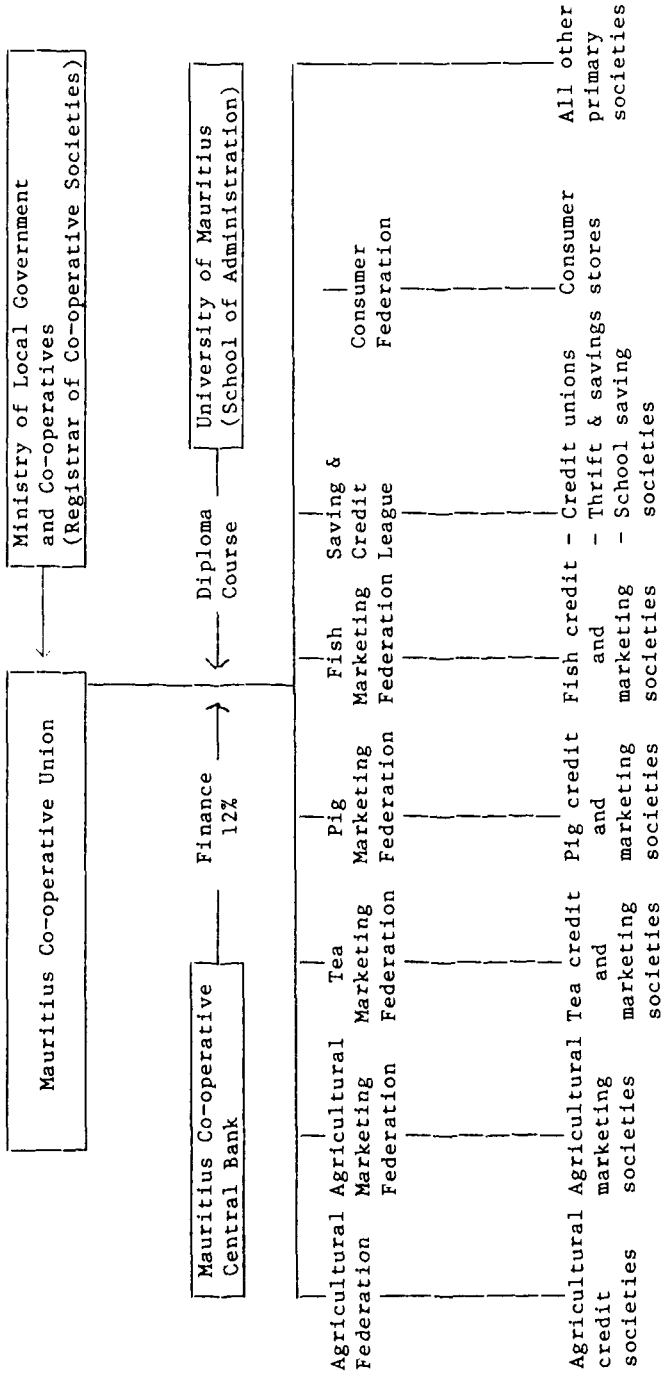
Ancillary to the co-operative movement there exist two supporting institutions which provide essential services to the movement. They are the Mauritius Co-operative Central Bank (MCCB) and the University of Mauritius. The MCCB is the national financing agency servicing the co-operative movement whilst the University of Mauritius provides higher education at diploma course level for the co-operative sector. Figure 1 illustrates the general structure of the co-operative movement in Mauritius.

CO-OPERATIVE MARKETING OF SUGAR-CANE - THE CREDIT CO-OPERATIVE SOCIETIES (CCS)

The co-operative agricultural sector has been, since its inception some seventy years ago, primarily concerned with the provision of credit and marketing facilities for sugar production. In the last 20 years the movement has started

Figure 1

Structure of the Co-operative Movement in Mauritius



to extend its activities to include the marketing of agricultural crops other than sugar. The scope of this paper is limited to co-operative production and marketing of foodcrops, but given that the backbone of agricultural co-operation in Mauritius is the credit co-operative societies which group the sugar-cane planters, a brief description of the main features and major problems of the CCS may be useful. Besides, many of the members of the CCS are also members of the agricultural marketing co-operative societies.

Functions performed by the CCS. The CCS were set up in 1913 primarily to extend credit facilities at reasonable rates of interest to small sugar-cane planters, who were at that time being charged high rates of interest by brokers, middlemen and private lenders. The CCS have a pivotal role in agricultural co-operation and the functions performed by them at present are as follows:

- a) to provide for short, medium and long-term credit facilities;
- b) to market sugar-cane produced by small producers collectively;
- c) to pay members (interest free) advances on cane deliveries (for the cost of cane cutting, loading and transport);
- d) to pay members for cane deliveries to factories;
- e) to negotiate contracts with private sugar factories for members' direct deliveries;
- f) to mediate in disputes between factories and members concerning weight of deliveries or determination of sucrose content;
- g) to receive deposits from members.

Membership and Finance. There are at present 174 CCS catering for cane planters only. The size of membership increased from 23,000 in 1977 to 26,000 in 1981. The CCS handle about 15 percent of the country's total cane output.

The volume of crop loans issued to members via the CCS increased from Rs 28.8 million in 1979 to Rs 44.5 million (1) in 1982. About 70 percent of the CCS membership sell sugar-cane, and the rest use the Societies for the purpose of placing savings. They are usually not farmers but agricultural labourers, civil servants, etc.

The main source of the CCS's finance is the interest margin (1 percent), and interest received on deposits with the MCCB.

Major Problems of CCS.

a) CCS seem to have difficulties in developing towards all-round service organisations for small-scale farmers. They require more service in the following fields:

- land preparation: farmers are insufficiently serviced by the 'Mechanical Pool Corporation' for the work of land development, clearing ('destoning') and furrowing;
- acquisition of planting material: (limited access to high yielding planting material - 'cane tops');
- shortage of labour during the cane harvest;

(1) US \$1 = 16.79 Mauritian Rupees (approximate exchange rate in 1984).

- inadequate transport infrastructure for harvested cane;
- lack of extensive service.

b) Heterogeneity and Limitation of Membership

The membership is composed of different sorts of people - full-time and part-time planters, residential and non-residential, borrowers and savers, farmers and labourers - which causes vertical and horizontal conflicts within the co-operative group. Aging membership is becoming a constraint to diversification and expansion of activities. The unlimited liability of the CCS is a constraint to both membership growth and vertical and horizontal integration.

c) Other Operational Problems

- Meagre prospects for traditional credit and saving business because of the increasing prosperity of the small-scale planters;
- books and accounts are not properly kept;
- arrears in auditing;
- unsuitable areas of operation (several CCS in one village);
- small size of the societies;
- lack of participation of decision-making and finance of the members.

The Mauritius Co-operative Agricultural Federation Ltd.
(MCAF)

MCAF was created in 1950 in order to benefit from representation on various boards, committees and statutory bodies set up for the safeguard and promotion of the agriculturists. The MCAF presently groups some 194 primary CCSs and is best known for the Fertilizer Distribution Scheme. This scheme was started in 1975 with the three-fold objective of increasing small planters' cane yields, promoting agricultural diversification and enabling a more productive use of agricultural credit. Since April 1982 MCAF has been operating as a licensed distributor of the Mauritius Chemical and Fertilizer Industry (MCFI). In 1982 the Federation realised a turnover of Rs 27 million from its fertilizer scheme compared to only Rs 6 million in 1979 and to Rs 14 million in 1980. The MCAF has constructed in 1983 a fertilizer warehouse in Port-Louis to improve its distribution services.

CO-OPERATIVE PRODUCTION AND MARKETING OF FOODCROPS

The Agricultural Marketing Co-operative Societies (AMCS)

The co-operative marketing of foodcrops was initiated by the planters' association in the 1950s and 1960s from a desire to improve the economic position of the foodcrops producers. The motives mentioned by the office bearers of the co-operatives during our interviews were: to decrease competition among producers, and to improve the producer's income by assuring a better return for his produce through collective bargaining power, price stabilisation and supply of inputs.

The adoption and diffusion of co-operative production and marketing of foodcrops reached a climax with the setting up of the Agricultural Marketing Board (AMB) in 1963-64, after

the recommendations made in the Meade Report (1).

The main objective of the AMB was to ensure efficient production and marketing facilities for the so-called 'controlled products' such as potatoes, onions, garlic etc. The AMB was also empowered to import these commodities in case the total production could not satisfy the local demand. In addition, it took over the importation of seed potatoes and ultimately became the sole supplier and buyer of certified potato seeds.

To exercise an efficient control over the production and marketing of these products, the Board invited all producers as well as wholesalers and retailers to register themselves with the Board. The burden of registration, purchasing of seeds from the AMB and consigning all their produce to the AMB fell on the shoulders of the small growers. They found this process difficult, costly and time-consuming because they had to spend a day for registration, another day for purchasing seeds or produce, unless they could arrange to do so collectively with other producers. Only a few of the foodcrop growers grouped themselves into co-operatives at that time. So there was a request to group the growers of the controlled products into co-operative groups by the AMB to the Ministry of Co-operatives. Thus around 1966, twelve potato and onion co-operative marketing societies with a membership of nearly 600 were registered as "agricultural marketing co-operative societies" (AMCS).

The AMCS undertook the following functions to promote their members:

- a) to provide members with short-term credit. The AMCS do not offer long-term loans as this is done by the CCS;

- b) to distribute land allocated by the governmental institutions and sugar estates among members;
- c) to arrange for the transport of potato seeds from the stores of the AMB to the planters' houses or stores;
- d) to liaise with the Agricultural Marketing Co-operative Federation for deliveries of potatoes and onions to wholesalers or the AMB;
- e) to pass to members payments received through the Federation for onion and potato deliveries;
- f) to check on weighing by wholesalers who take delivery at farm gate.

If we look at the functions performed by the AMCS and the CCS, there are not very many differences in the marketing process of agricultural produce. They are both single-commodity co-operatives: CCS specialise in sugar-cane marketing and the AMCS either in onion or in potato marketing.

It is important to point out that about 70 to 80 percent of the members in the AMCS depend upon the income received from the potato and onion production undertaken to finance their households. The labour of their families and the villagers is involved in the process of production, and contributes to the national employment possibilities for unskilled labourers.

The Mauritius Agricultural Marketing Co-operative Federation (MAMCF)

The MAMCF was created in 1968 with a membership of 19 societies comprising 13 potato-producing AMCS and six onion-producing AMCS, to negotiate with relevant authorities for obtaining land, seeds, credit and reasonable prices for

co-operative produce. The Federation embraces at present 24 AMCS with a total membership of 3,081 potato and onion growers. Since the early days of the Federation various attempts have been made to diversify its activities by involving the primary societies in the production of maize, ground-nuts, garlic and beans. But the serious constraint of land scarcity did not create the appropriate conditions for co-operative growers with limited resources to keep in line with the production of the above commodities, which are so vitally needed by the Mauritian consumer.

Apart from the negotiation of leases of land, credit, seeds and product prices for the benefit of co-operative planters, the Federation undertakes the supervision of crop performance, preparation of cost data and loan requirements, and field visits to member farmers. But due to lack of finance the Federation is not in a position to pursue its activities adequately.

The Federation's finance was made up of the following sources for period 1981/82:

- a) Government grant in aid (53 percent)
- b) Farmers' contribution (24 percent)
- c) Other financial sources (23 percent), which shows that the Federation depends heavily on Government grants in aid and the growers' contribution is very limited.

This income situation of the Federation leaves little room for expansion of activities.

Co-operative Marketing of Onions and Potatoes

1. Onions

The AMCS market a part of the Mauritian onion crop through the Federation (MAMCF) and the rest is sold by the co-operative members directly to the traders. The AMCS and the Federation face keen competition from the other groups, namely the traders living in the onion growing area. Some of these may have a shop, give credit and/or loans, deal in onion seeds and setts, and finally purchase the produce, graded or ungraded. They can be highly flexible as far as their profit margin is concerned. At the beginning of the harvest, when the produce comes from the fields in small lots, and the demand in the island is high, both the traders and the wholesalers increase their competition with the Federation, in view of the prospects for quick and high profits.

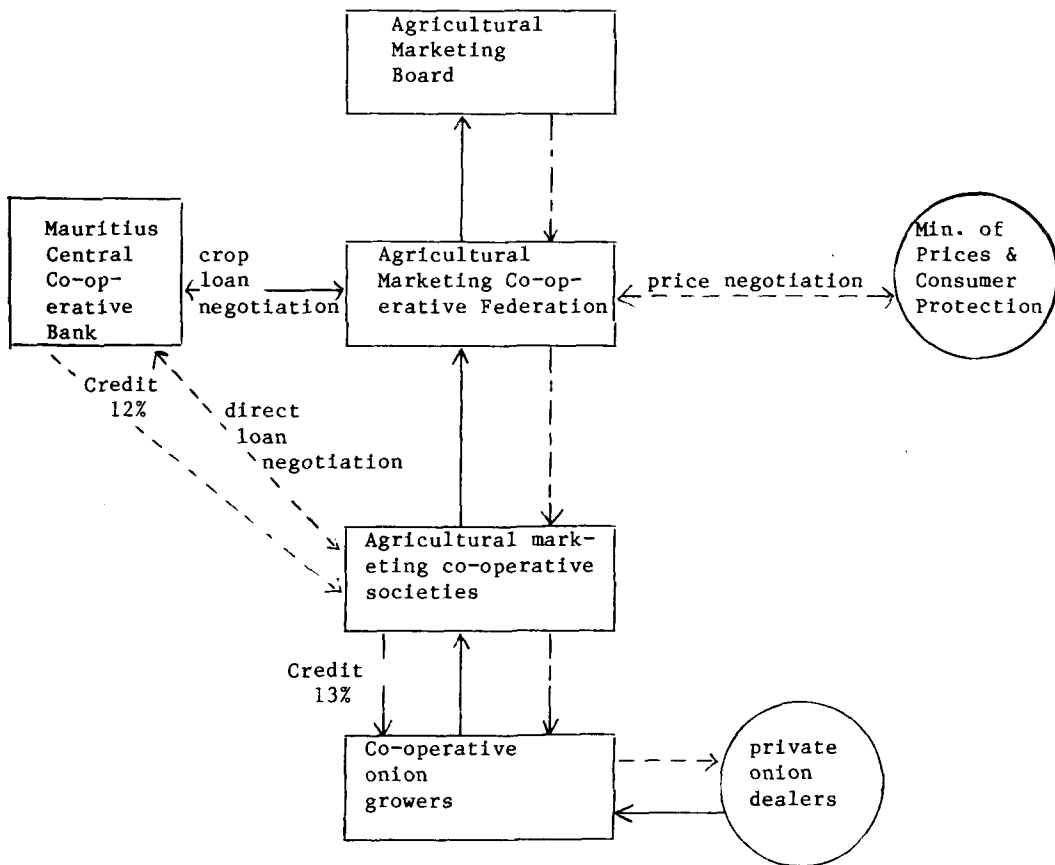
If the onion planter wants to market his produce through the MAMCF, he has to inform the society when he is about to harvest. He has to keep the onions for about 15 days for curing. During that period he may have the opportunity of selling to someone else, if he wants to avoid the grade specifications laid down by the AMB.

The planters of the co-operatives have been allowed to use free of charge two naturally air-ventilated stores situated at Palmar and Petit Sable. These stores were partly built from funds donated by the U.S. Government and a loan of Rs 100,000 at the rate of 1 percent from OXFAM, but unfortunately they are no longer used because of inadequate marketing facilities, shrinkage problems and quick sale possibilities to dealers.

The bargaining power of the Federation concerning the sale of onions is very limited for the simple reason

Figure 2

Co-operative Marketing of Onions



that it does not control the totality of the production and marketing of onions by the co-operative growers. The Federation negotiates only in the case of 'direct marketing', i.e. sale to merchants. All the proceeds obtained from the sale of the onions are forwarded to the AMCS who then distribute them to each member. However the Federation carries out discussions on the onion production price with the Agricultural Marketing Board and the Ministry for Prices and Consumer Protection. Equally regular field work is carried out and reports submitted on crop performance. Complaints on defective crops are channeled by the Federation vis-a-vis the Mauritius Sugar Industry Research Institute (MSIRI) and the plant pathologist division of the Ministry of Agriculture at Reduit.

On the whole the onion co-operative marketing network is inefficient mainly because of the keen competition of the middlemen and wholesalers. They pick the crop on the spot and accept the onions in conditions not accepted by the co-operative or the AMB, though the middlemen offers lower prices. Besides the wholesalers pay immediately for the produce, whereas the co-operatives give their members a pre-sale payment on delivery (about 75 percent of the sales value) and the rest after all the onions have been sold. But the onion producers are not aware that they are losing by disposing of their produce on an individual basis and they easily forget, because of the close relationships with the traders *, that they offer lower prices for improper weights.

Here the co-operative can play a vital role to improve the agricultural marketing network and to eliminate the

* It appears also that the small-scale onion growers have traditional values and do not always operate via rational thinking.

middlemen, if the co-operative can offer more capital facilities at softer terms and better marketing infrastructure, ie. price, transport, storage and marketing channels.

2. Potatoes

The potatoes produced by the members of the AMCS are almost all marketed through the Federation. The member has to inform his society of his crop one week before the harvest. A record of the planting dates of each planter is also kept by the society. Once the society is aware of the harvest, it informs the Federation which looks after the marketing of the crop. The potatoes can be sold either directly to merchants or to the AMB if the potatoes satisfy the norms laid down by the AMB.

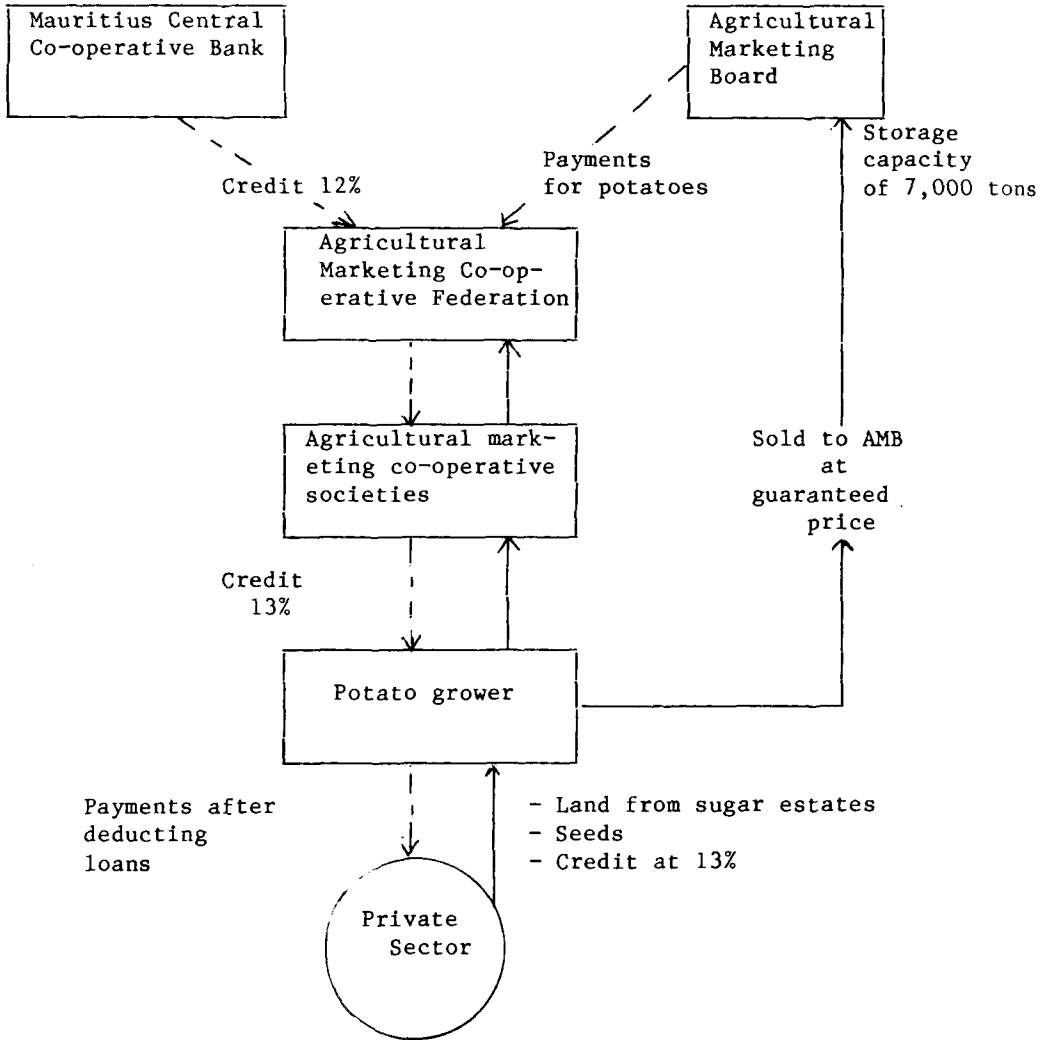
The sale of potatoes to the AMB is effected at a guaranteed price negotiated every year, taking the cost of production into account. The present price amounts to Rs 2,600 per metric ton ex stores, Moka. This price is based on a yield of 7.5 tons of potatoes per ton of seeds planted. However, the provision is made that the guaranteed price can be revised depending on the yields obtained. Hence if yields were higher than estimated, the AMB would reduce the guaranteed price to 1,800/ton for potatoes produced in excess of the estimated yield of 7.5 tons.

Grading is done by the potato growers at the point of cultivation by hand and the potatoes are transported to the AMB on an individual basis. At times collective transport is arranged by the co-operative.

They are sent immediately after harvest to the AMB to prevent any excessive handling of the produce which might decrease the storage quality and perhaps not correspond to the grade specifications laid by the AMB.

Figure 3

Potato Marketing through Co-operatives



Our survey showed that about 30 percent to 60 percent of the co-operative potato production was sold to the AMB and the rest to private dealers. This fluctuation represents the price movement of potatoes in the free market. Thus when the private dealers offer a better price (normally at time of shortages) than the AMB, the co-operative growers sell their produce directly to them. But in 1983/84, the majority of the potatoes were sold to the AMB, as it offered a better price and there were no shortages on the potato market.

Payments for all potatoes sold by the Federation either from merchants or from the AMB are forwarded to the respective societies where loans taken out by each member are debited to his account and the balance left is handed over to him. The marketing arrangement is such that practically all the potatoes are marketed as soon as the crop is harvested. This reduces the chances of the potatoes being sold to middlemen as in the case of onions.

MAJOR PROBLEMS OF AMCS

Some Specific Problems in the Onion Sector

Two serious problems are shaking the very foundation of co-operative marketing in the onion sector. They are:

- a) reluctance of the co-operative onion growers to market their produce jointly, and
- b) failure on the part of the growers to clear their dues to the Mauritius Co-operative Central Bank (MCCB) promptly.

Onion growers refuse to comply with the policy of joint marketing on the ground that the cost of shrinkage is too high to be borne by them. Each member prefers to store and market his produce independently to private dealers.

Besides, the MCCB has ceased to issue fresh production loans to those co-operative union societies because previous loans have not yet been cleared. Lack of financial support proves to be a serious handicap for the growers to expand their businesses. There is also the absence of an effective linkage between marketing and loan repayment in this sector.

The indebtedness of the onion growers to the MCCB could be attributed to some extent to bad climatic conditions in 1973/76 that reduced the yield to an alarming proportion. But it should be admitted that the onion growers have since known better crops which could have allowed them to clear their debts to the Bank. In spite of the legal steps taken against these people, the response has been poor.

In order to prevent the level of onion production from going down, it is proposed to deprive such defaulted members of the right to exploit further their share of crown lands and allocate the same to the efficient producers who are loyal to the society.

This measure will enable other faithful members of the onion marketing societies to obtain production loans from the MCCB with a view to stepping up production and to organising the orderly marketing of this crop more efficiently.

It should be noted also that the marketing of onions is made at times very difficult by the importation of onions by the AMB without any detailed analysis of the market situation, which results in a glut and leads to a decrease in the price of onions in the local market.

Some Specific Problems in the Potato Sector

From 1971 to 1976, the agricultural marketing co-operative sector alone has been producing more than 50 percent of the national potato production in Mauritius. But after 1976, the level of production declined gradually to reach a level

of only 26 percent in 1980. This downward trend can be attributed to the following factors:

- a) Unfavourable Climatic Conditions. Potato production was affected by serious droughts which forced many AMCS to remain dormant. In addition the crops were attacked by diseases and pests.
- b) The Availability of Land. Land availability is by no means satisfactory for, on the one hand, only around 30 percent of the members of AMCS were able to obtain land for cultivation, and on the other, the land available is often marginal, bears a high rent (in the eyes of the planter) and is not available in time.

The co-operative members complain that the sugar estates release only marginal land for potato growing to the small scale producers and retain the better parts for their own potato production.

This is said to be reflected in the potato yield per unit of land: the average potato yield of the estates is, according to our calculations, around 40 percent higher than the small-scale potato growers, and this difference has remained stable over time. The opinion of the estates is that they are more efficient and have greater technical know-how. It is often suggested that even if planters used the same cultivation methods the difference would not be eliminated. The planters, on the other hand, contend that the difference is due to land quality.

There may be some degree of truth in both of these views, though no empirical attempt has been made to substantiate either. Our visits and interviews reveal that the land allocated to the co-operative growers are relatively of poorer quality than those cultivated by the sugar estates. Further it was observed that sugar estates plant potatoes only in the cooler season, when the yields are much higher.

- c) Finance and Agricultural Inputs. The rate of interest rose from 8 percent to 12 percent in 1982, thus increasing the cost of production of potatoes. Note that the potato plantation is highly seed-intensive and takes about 50 percent of the farming budget. Besides, the MCCB is not willing to allocate credit on softer conditions.

In addition, chemicals, transport, labour, land improvement and irrigation are costly inputs in agricultural production and the present structure of the AMCS does not allow for the provision of these necessary inputs and the achievement of economies of scale, which could significantly reduce the high cost of production.

- d) Competition by Sugar Estates. Sugar estates have gone into large-scale production of potatoes and are taking an increasing share in national potato production. Besides, the area available to co-operators for potato production on these sugar estates' lands is decreasing.

This keen competition by the sugar estates is destroying the small-scale producers who were earning their living out of potato production. Such a situation is leading to a dis-equilibrium in families who solely depend on sugar estates' land for potato production.

Other Operational Problems of the AMCS

- a) Farmers and societies have to deal with two different federations: The Agricultural Marketing Co-operative Federation for the acquisition of potato seeds and marketing, and the Agricultural Federation for procurement of fertilizers. To reduce this problem two fertilizer stores have been set up on a pilot basis.

- b) Auditing of the accounts is more than a year in arrears. This confirmed our impression that the book-keeping systems impose a burden of great complexity upon the AMCS. The maintenance and checking of the various books and documents used take much time which might profitably be given to other work, and the systems employed do not lend themselves to easy verification and checking. As a result, there is an inadequate level of regular 'trial balance' checks made by the co-operative officers.
- c) There is no insurance scheme against losses due to climatic or non-climatic factors which acts as a barrier to the small-scale planters who might venture into large-scale production.
- d) The Federation has no machinery and storage facilities at its disposal - which are vital preconditions for the success of the co-operative marketing of foodcrops. The AMB is taking over the storage function, but the lack of machinery facilities is still a major constraint on decreasing the costs of production.
- e) There is a lack of member participation in decision-making, finance and the economic results in the society. Because of this lack, mostly through apathy, the co-operatives have become appropriated as the personal property of certain leading members. This is reflected in the reduced frequency and the absence of the free-flow of information and feedback to members.
- f) The secretaries of the AMCS are in most cases part-time functionaries who lack management know-how to perform their duties effectively. In many instances their inability to keep the books properly, which have then to be written-up by the auditors, causes undue delay in auditing.

- g) Many AMCS suffer from in-built structural deficiencies which originate mainly from the single-purpose (marketing) and single-commodity (onion or potato) nature of their activities and their small size. Furthermore, they lack a proper place of business. Normally all the meetings or transactions are done at the secretary's place.

- h) There is a lack of group action. In order to utilise the benefits of the economies of scale, group efforts for production and marketing are the critical factors in successful co-operative production and marketing. The most common activity carried out by the AMCS is to act as an agent of the agricultural credit institution, and the land availability and marketing institution. The members do not really participate in a group to facilitate the production and marketing of their produce to achieve a better bargaining position and higher prices, especially the onion growers.

RECOMMENDATIONS

Due to the major shortcomings as outlined above, the present situation of the agricultural marketing societies is not conducive to the efficient achievement of co-operative agricultural diversification. Thus, in order to increase the efficiency of the AMCS and to remove the constraints on co-operative agricultural diversification the following recommendations are made.

Integrated Agricultural Credit System

An integrated agricultural credit system should be evolved to provide the member with one contact point for obtaining his credit, input requirements and a full package of services. It is therefore imperative to re-organise the presently small single-purpose co-operatives into larger, economically-viable multipurpose units to provide comprehensive facilities in an integrated manner at the primary level.

Furthermore, in order to ensure that the weaker section of the co-operative members be properly serviced, a change should be brought about in the operation of the MCCB which bases its loans on security rather than on expected outlay and repaying capacity. The MCCB should consider the possibility of adapting a production-based rather than a security system of lending.

In addition, the small-scale producers need medium-term loans for the equipment and facilities required for their marketing activities, such as small vehicles, storage facilities for off-season production, etc. Arrangements should be made to provide such medium-term loans not necessarily against physical fixed assets as a security but against the feasibility of the project activities and the expected profitability.

Infrastructural Facilities

To enable the onion and potato growers to market economically, the provision of infrastructural facilities should be examined.

- a) Hitherto the AMCS have been functioning essentially as financing and marketing agents. It must be now the movement's and the Government's policy to encourage them to provide multipurpose facilities such as equipment, transport, collective purchase and storage of fertilizer, etc., for the benefit of their members.
- b) Onions and potatoes both need protection against losses due to climatic or non-climatic factors. Therefore, there is a strong need for introducing a comprehensive foodcrop insurance scheme.
- c) Of equal importance is the existence of a well-organised network of onion and potato growers' co-operatives (the Federation). A foundation for

closer co-operation between the AMCS and the Federation should be laid down, i.e. a decentralisation of the co-operative marketing network. As a consequence, regional stores for grading, storing and marketing of foodcrops should be established. Four regional stores are recommended: in the eastern, northern, western and the central regions.

d) For the efficient co-operative marketing of foodcrops an agricultural marketing extension service should be set up to:

- advise the farmers on product planning, i.e. what variety to produce, considering marketability and economics;
- assist the small-scale farmers to secure a better market for their produce by making production marketing arrangements with wholesale traders;
- advise the farmers on 'planned shipment', i.e. staggering of harvesting time in order not to glut the market;
- advise the farmers on improved marketing technologies and practices, such as improved grading, storing, handling, transport etc.;
- motivate and educate group action of the co-operatives, which is very important to increase member participation.

e) The establishment of a co-ordinating institution. Experience has shown that there is a lack of co-ordination within the institutions concerned with marketing of foodcrops and co-operative development. It is strongly recommended that a leading institution,

preferably a private institution under the control of co-operative members should take the responsibility of co-ordinating the activities of the Agricultural Marketing Board, the Federation, the Ministry of Local Government and Co-operatives and other institutions involved in the promotion of agricultural and co-operative development in Mauritius.

CONCLUSION

The co-operative marketing of foodcrops plays a vital role in the agricultural development in Mauritius. As foodcrop production is labour-intensive it is providing employment to a large number of people, particularly in the low income bracket. In response to the Government's declared policy of agricultural diversification for national self-sufficiency, it contributes to agricultural diversification, thus saving foreign exchange and leading to the creation and promotion of self-employment opportunities.

The basic problems of the co-operative marketing of foodcrops as a strategy of agricultural diversification are inadequacy of credit, high costs of agricultural inputs, lack of a comprehensive crop insurance scheme and lack of infrastructural and technical support, which stems mainly from the single-purpose and single commodity nature of the primary co-operatives.

To arrest these constraints it is strongly recommended that a flexible and simple integrated agricultural credit system be developed, and a package of infrastructural facilities. The single-purpose marketing co-operatives should be reorganised into larger multipurpose (integrated) units.

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THE FINANCING OF DAIRY CO-OPERATIVES

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This paper presents a discussion of the financial arrangements pursued by dairy co-operatives in France and the Federal Republic of Germany in order to provide capital for their operation and development. In recent years, prior to the imposition of dairy quotas, increasing milk supplies, which such dairies were bound to accept, and increasing processing requirements, as more milk was used for manufacture, obliged dairy co-operatives to make substantial new investment.

A review of the potential sources of capital available, both internally and externally generated, is combined with empirical evidence on financing in practice. This evidence shows that finance from internal sources has been predominant, suggesting that management efficiency is the main key to success rather than external assistance or increased commitment from the membership. In fact, it is likely that the trends noted may result in dairy co-operatives becoming less reliant on their members' goodwill, a tendency which has advantages in the short-term but which may ultimately stifle the very efficiency which characterises the current success of the European dairy co-operative sector.

Membership of the European Economic Community has confronted the United Kingdom with a hitherto little-known world of co-operative dairy processing activity. Milk marketing in the U.K. context had involved the wholesaling of liquid milk largely through Boards whose processing activities were little more than a way of disposing of milk surplus to the

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requirements of the liquid market. Such Boards did not require large amounts of investment capital for dairy plant or of working capital to finance inventories. Nevertheless, the Boards are under an obligation to accept the raw milk offered by farmers, and the Milk Marketing Board for England and Wales has been obliged to expand its processing activity following its acquisition of a number of creameries in 1979. The rapid expansion of milk production during the past decade and the consequent increase in dairy processing in the U.K. has prompted enquiring glances to be directed towards dairy sectors elsewhere in the EEC which for many years have faced the problem of financing growth in processing activity while at the same time maintaining the loyalty of producers whose membership is voluntary.

This paper concentrates on the sources of finance available to dairy co-operatives with particular reference to recent empirical studies on French and West German dairies.* In France, the co-operatives have in recent years increased and consolidated their substantial share of the food processing industry, aided (according to the justified claims of the private sector of the industry) by the preferential legal and financial status which they have been and continue to be granted by state legislation. In West Germany, too, co-operatives are dominant in dairy processing although it is fair to say that this position is not at present significantly attributable to economic favour by the state. Despite the superficial similarity between the strong co-operative involvement in the two countries' dairy sectors, differences exist at the level of the co-operatives' relationship with their membership which can be illustrated through a study of their financing and which may provide pointers to their future development.

* The relevant studies are Haines (1980) and Jenkins (1984). Unless otherwise stated, the figures quoted in this paper are taken from the dairy co-operative samples investigated in these studies.

The Financial Needs of Dairy Co-operatives

The expansion and improvement which have characterised the co-operative dairy sector in Europe in recent years have meant considerable investment. This in turn has created financial demands upon the dairy co-operatives involved. Investment by co-operatives has an inevitability, arising both from the demands of the business environment in which they operate and from their very nature. The requirement that they advance the economic interests of their members includes both the ability to operate competitively and the demand that they make investments which those members, by virtue of their limited economic capacity, are unable to make themselves.

The new investment which has taken place is both the result of factors common to the majority of businesses (co-operative and non-co-operative), such as technological advance and the expansionist goals of management, and the result of factors peculiar to co-operatives operating within the dairy sector, such as the increase in milk supplies and the varied processing requirements needed to transform those supplies into marketable commodities.

Of the business factors, the technological advance seen in the dairy industry over the past two decades has been of overwhelming importance. Investment in the dairy sector was especially pronounced in the late 1960s and early 1970s, a period of steady economic growth, low interest rates and free from the upheavals of oil crises. In the late 1970s the development of automation and computer technology brought further investment imperatives. In fact, most of the investment in the co-operative dairy sector is concerned with energy-saving, the saving of labour and the improvement of product quality through the development of automated production processes.

Expansion and growth of businesses can also be seen in terms of the objectives of management. Arguably, expansionism of

this type is especially prevalent among co-operatives, where business success cannot be measured by the single visible indicator of profit. Observably, entrepreneurial qualities are not lacking among the management of dairy co-operatives.

An important driving force behind the investment in the co-operative dairy sector has been the increase in deliveries of milk to dairies, both as a result of higher milk yields and because of less retention by farmers of milk for on-farm use. Co-operative dairies have been bound to accept increased deliveries, unlike their non-co-operative counterparts, and have thus been committed to matching the expansion of their members' businesses. In Germany, deliveries of milk to co-operative dairies rose from just over 14 million tonnes in 1960 to just under 23 million tonnes in 1980, while in France over the same period the volume of milk delivered to dairies of all kinds rose by 112 percent.

Higher milk deliveries to co-operative dairies together with a stagnant liquid milk market have led to an increase in milk processing requirements as a higher proportion of milk has been used for manufacturing purposes. The investment necessary to carry out such requirements has also been made in order to meet rising export targets in dairy-surplus countries.

Discussion of investment from the viewpoint of individual co-operatives must be coloured by the fact that national co-operative organisations are holistic in character. To the extent that individual co-operatives are merely spokes in a federal co-operative wheel, their investment needs and policies have to be seen as parts of the investment required and undertaken by the co-operative movement as a whole. While such concentration of investment activity and the vertical integration which it implies are increasing in the dairy sector, especially in France but also in some regions of Germany, it will be argued that this is not to be

welcomed as a wholly desirable trend for the long-term future of the co-operative dairy industry. The reasons for this will be discussed after consideration of the finance sources available to dairy co-operatives.

Sources of Finance for Dairy Co-operatives

a) Share capital

Share capital contributions are a necessary corollary of co-operative membership and represent, in exchange for the rights and duties of membership, long-term resources placed at the disposal of the co-operative for whatever purposes it wishes - resources which are not again available to the members as long as they remain such. In the case of both French and German dairy co-operatives, share capital subscription is generally related to the quantity of milk delivered by members to the co-operative. Requirements of milk producers in this regard are, on paper, considerably lower in France than in Germany, with share values tending to be between 2 and 7 centimes per litre as compared with between 60 and 100 DM. per 1,000 litres. This represents a contribution requirement in the range of £90 to £320 for the average French producer compared with one in the range of £870 to £1,450 for the average German producer.*

French co-operative members are generally required to pay 25 percent of their contributions upon joining the co-operative and the remainder over the subsequent five years. The statutes of German dairy co-operatives specify obligatory initial payment requirements ranging between 10 and 100 percent of share capital subscription.

* 'Average' producers are taken as have 15.5 cows, each yielding 3,600 litres per annum, in France; and 13 cows, each yielding 4,450 litres per annum, in Germany. Milk delivered to the dairy is taken as 90 percent of production. Conversions: £1 = 11.00 FF = 3.60 DM.

Any balance outstanding is then accumulated by the co-operatives through deductions from milk payments and retentions of bonuses. In practice, among the first-tier dairy co-operatives investigated in Germany, the proportion of nominal share capital which was actually paid up was high, averaging 94 percent.

Repayment of share capital to members leaving the co-operative is normally at two years' notice among Germany first-tier dairy co-operatives and at five years' notice among second-tier co-operatives.* The position in France is less clear-cut, with dairy co-operatives often declining to repay share capital at all in a general atmosphere of disincentive for members to attempt to withdraw capital.

French dairy co-operatives frequently pay interest on share capital up to the legal maximum of 6 percent per annum. In Germany, although the payment of interest has been a possibility since the 1974 Amendment to the Co-operative Law, this does not appear to be done.

The limitations of share capital as a source of finance for dairy co-operatives derive largely from the fact that it is not continuously and readily expandable. The potential membership of a dairy co-operative is limited by its geographical spread, and, although recent expansion in milk deliveries has brought nominal increases in share capital obligations, the imposition of quotas will halt this trend.**

* First-tier dairy co-operatives are defined as those whose members are milk producers; second-tier are those whose members are other co-operatives.

** The Swedish practice of linking share capital contributions to the value of milk deliveries may provide a means of protecting the value of share capital to co-operatives.

Except for dairy co-operatives benefiting from mergers, this form of financing quickly reaches a practical limit, and share capital will decline for an expanding co-operative as a proportion of own capital and of total capital resources. In Germany, share capital also has the disadvantage of being regarded as an unstable element in own capital, since it can fluctuate with movements in a co-operative's membership. Even at times when the quantity of milk delivered to dairies has been rising, farmers leaving the industry may withdraw share capital at a faster rate than newcomers or expanding farmers make contributions, due to the often low level of obligatory payments required on newly-acquired shares.

The advantages of share capital as a source of dairy co-operative finance include its low cost and also its stability compared with the share capital available to non-co-operative firms in times of poor co-operative performance or depressed stock markets. In Germany, paid-up share capital also brings with it additional liability on the part of members which provides dairy co-operatives with added potential strength against which they may borrow.

Reliance on share capital binds co-operatives to their members. For the first-tier German dairy co-operatives studies, 64 percent of own capital resources was in the form of share capital, compared with 47 percent among their equivalents in France. For second-tier dairy co-operatives, the divergence was even greater, with a share capital proportion of 58 percent in Germany and 32 percent in France. In static terms, therefore, share capital represents a relatively more important financial resource for German dairy co-operatives than for French, and for the first-tier co-operatives than for second-tier. The implied closer personal relationship between co-operatives and their members in Germany derives, at least in part, from the different taxation environments faced by co-operatives in the two countries. The liability of the majority of German dairy co-operatives to corporation tax on declared profits hampers them in the formation of reserves and creates a bias

towards reliance on share capital for own funds wherever share capital can be raised. In more dynamic terms, however, since share capital cannot represent a significant source of additional resources for an expanding dairy co-operative, it is to be expected that the personal co-operative-member relationship alluded to will become diluted over time as reserve formation increases in importance.

b) Declared Reserves

Whereas for the membership a dairy co-operative exists to provide as high a return as possible for raw milk, for the co-operative this aim has to be balanced by considerations of security, progress and possibly expansion. For this reason, co-operatives aim to build up own capital in the form of reserves, thereby risking charges of distancing themselves from their members and becoming unaccountable to them. Reserve formation is seen by co-operatives both as a means of adding stability to own capital, a particular feature in Germany where repayment requirements mean that share capital has an element of instability, and as being in the long-term interests of the membership since it improves credit risk and generally adds financial strength. Nevertheless, conflicts between dairy co-operatives and their membership do arise over the question of transfers of profit to reserves not least because of members' lack of direct benefit from them * and, in Germany, because of taxation.

In Germany, the accumulation of reserves from undistributed profit is an expensive form of financing for tax-paying co-operatives, with retained profits subject to corporation tax of 56 percent. Equally, however, dairy co-operatives

* Unlike share companies where shareholders benefit from financial strength through share price rises.

are increasingly urged by the co-operative auditing associations not to neglect reserve formation from this source. Individual dairy co-operative statutes generally state the proportion of annual profit transferable to legal and to operational reserves and the levels which such reserves should attain, thus removing an annual decision on the matter from the co-operatives' general meetings. In France, the legal requirement is that 10 percent of annual surplus should be paid into a reserve until that legal reserve is equal to share capital. In addition, free reserves may be created at co-operatives' discretion, not always easily separable from provisions for specific contingencies. In both countries, government grants and subsidies are credited to reserves, as are any fees payable by members upon joining the co-operative.

Reserves formation is vital to co-operatives since it represents the creation of long-term own capital without repayment obligation or servicing costs. It is also urged upon them by third parties concerned for co-operatives' financial wellbeing. However, the rate at which reserves may be built up from dairy co-operatives' annual surpluses is clearly related to the tax situation which they face, since the presence of liability to corporation tax on profits will affect the level of surplus which the co-operatives seek to declare as profit. In Germany, profits which are distributed are taxed at a lower rate than those transferred to reserves and are clearly a preferable source of finance if they can then be retained in members' share accounts.

In France, profit tends to represent at least 2 percent of balance sheet total and sometimes considerably more in the case of primary dairy co-operatives, and perhaps 1 or 2 percent in the case of second-tier dairy co-operative unions. In Germany, where the majority of dairy co-operatives are not tax-exempt, profit declarations tend to be minimal at around 0.3 percent of total balance sheet. Hence the tax situation in France has the tendency to

encourage co-operatives to fund themselves in this relatively overt way while reserve formation in Germany is a slow if steady progress. Those dairy co-operatives in Germany whose activity is sufficiently limited for them to be tax-exempt tend to maintain both a higher proportion of their own capital in the form of reserves and to have a lower proportion of their nominal share capital actually paid up than those dairy co-operatives subject to corporation tax, suggesting a preference for financing themselves by means of reserves - impersonal funds to which the membership has no claim. The taxation of co-operatives' profit, by hampering reserve formation and making reliance on capital contributions from the membership necessary, ensures that the views and short-term interests of the membership are given some prominence. Nevertheless, reserve formation is likely to remain an important feature as increases in member share accounts become less attainable, and this is foreseen in dairy co-operatives' statutes which frequently specify target reserve levels of 40 percent of total capital resources.

c) Own Capital

Wholly-owned funds in the form of share capital and reserves are an important component of investment capital and of working capital, both because of their indication of financial solidity which is important to potential creditors and because of their influence on a co-operative's borrowing and financial charges. Among French dairy co-operatives, own capital has traditionally formed around one-third of capital resources, although recent reductions in grant aid for investments, the high cost of borrowing, and pressure from the principal creditor, Credit Agricole, have tended to push this figure towards 40 percent. In Germany, first-tier dairy co-operatives generally manage an own capital proportion of total resources of 40 percent, although recent rapid expansion among second-tier co-operatives has left many of these with a considerably lower figure.

Second-tier dairy co-operatives find it easier in principle to build up both share capital and reserves than the first-tier. The pressure which they can bring to bear on their member co-operatives concerning the importance of adequate funds is greater than that available to first-tier co-operatives faced with numerous independent agricultural producers. As a result, in France second-tier co-operatives have tended to take the lead in the co-operative dairy sector, especially since many of the first-tier dairy co-operatives have not found it easy to expand their own capital base towards the 40 percent target, given their own investment requirements. In Germany on the other hand, the relatively strong own capital position of the successful primary dairy co-operatives has largely prevented such a trend in favour of second-tier co-operatives. The effect has been to widen the gap between co-operative and milk producer in France to an extent not so apparent in Germany.

Increasingly, however, it is becoming recognised that dairy co-operatives can remain financially secure without large quantities of own capital. This security is due to the obligation which members have to deliver milk to their co-operative, the relatively fast throughput of milk and consequent steady relationship between the price paid for milk and the prices received for dairy products in an inherently stable market supported by intervention, and the security implied by membership of the co-operative sector as a whole, with the Crédit Agricole factor in France and the collective financial supportiveness of the Raiffeisen movement in Germany. To the extent that such attitudes to own capital formation gain ground, dairy co-operatives are likely to distance themselves yet further from their membership while reducing the relative risk burden of the members and improving the profitability of their capital contributions. This may in turn raise demands for adequate remuneration of members' capital and thus increase the commercial element in member/co-operative relations.

d) Borrowed Capital

The extent of reliance by dairy co-operatives on borrowed capital is determined by a variety of exogenous and endogenous factors. In Germany, despite their being generally good credit risks as a result of membership of a financially-strong Raiffeisen co-operative movement and because of the co-operative auditing procedure, local-level dairy co-operatives are not generally heavily reliant on long-term borrowing to finance investment in taxed assets. Among the first-tier dairy co-operatives studied, long-term borrowing averaged only 5 percent of total capital resources, was frequently negligible, and in no case exceeded 18 percent. Farmers' perceptions of the nature of their co-operatives as independent self-help organisations have undoubtedly influenced the co-operatives' borrowing stance. Second-tier co-operatives are less immune to such pressures as well as more needful of long-term capital for investment purposes, and are sometimes more inclined towards higher leverage rates.

In France the situation is somewhat different through being heavily influenced by the presence of the Crédit Agricole. This institution supplies 90 percent of agricultural co-operatives' short-term borrowing needs and 95 percent of their investment loans, and has traditionally enjoyed a monopoly of government funds allocated for the subsidisation of agricultural credit. Despite the elimination in 1978 of its privilege of exemption from company tax, Crédit Agricole remains of overwhelming importance in the external financing of French dairy co-operatives even though other banks are increasingly denting this monopoly.

The long- and medium-term borrowing of French dairy co-operatives, while not high compared with the remainder of French industry, is a significant source of their finance. The proportion of total resources which it represents was found to be higher for first-tier co-operatives at around 13 percent, compared with a figure of nearer 10 percent for

second-tier co-operative unions. This suggests that it is the primary co-operatives which have to find much of the investment capital to fund processing plant and local facilities.

Short-term bank borrowing forms an important part of firms' liquidity and their financing of current assets. Among first-tier German dairy co-operatives, however, such bank borrowing appeared surprisingly low, with many dairies showing negligible indebtedness as at balance sheet date and many having considerable credit balances with their banks. The short-term bank borrowing of German second-tier dairy co-operatives on the other hand is generally substantial at between one quarter and one-third of total capital resources.

In France, among both first and second-tier dairy co-operatives, short-term loans to supplement the working capital generated from trading credit is of considerable importance. For first-tier co-operatives such borrowing amounted to around 60 percent of working capital requirements and for second-tier unions to 45 percent of such requirements. Apparent low liquidity levels among French dairy co-operatives arguably represent good financial management given the close relationship with Credit Agricole from whom funds to meet liquidity problems are virtually guaranteed.

Total borrowing by French dairy co-operatives is fairly high in relation to their total capital resources. Leverage ratios, which indicate the co-operatives' external financial risk, averaged 0.70 for first-tier co-operatives and 0.75 for second-tier unions, and bank borrowing alone amounted to over 28 percent (first-tier) and 18 percent (second-tier co-operatives) of total capital resources. This is in line with increasing indebtedness throughout the food-processing industry in France, although for co-operatives it does not necessarily mean an unacceptable level of risk due to the Credit Agricole factor.

Again, the position is somewhat difficult in Germany. First-tier dairy co-operatives, without such an amenable 'green bank' as the French, show, on average, bank borrowing amounting to only 9 percent of total capital resources, with a significant number of dairies claiming no indebtedness to banks whatever. Second-tier dairy co-operatives, on the other hand, generally show bank borrowing of up to one-third of total resources. It is clear that the size and financial strength of the second-tier co-operatives ensures that much of the external investment in the German dairy co-operative sector is channeled through them. It is also apparent that bank borrowing has declined in both relative and absolute terms over the past decade, which reflects a considerable success by dairy co-operatives in retaining internally-generated funds by transfer to member share accounts and reserves in the face of high interest rates and considerable investment demands. It also implies that the marginal profitability of the capital employed in German dairy co-operatives has been low since the co-operatives have not seen fit to expand total capital resources at as fast a rate as the own capital base could be expanded.

e) Provisions

Provisions are made for specific contingencies which are expected to arise at some future date. They are thus distinct from reserves which are not retained to meet specific liabilities. Accounting practice in France, however, does not distinguish rigidly between provisions and reserves, such that the reserves heading in the balance sheets of French dairy co-operatives frequently contain provisions for a wide range of anticipated liabilities.

Among German dairy co-operatives, provisions are quantitatively an important source of finance, in particular long-term retentions of funds to meet the future demands of pension schemes. Transfers to provisions have the effect of retaining in the co-operative internally-generated funds which would otherwise have been declared as profits. As a

proportion of total capital resources, provisions were found to amount to 11 percent among first-tier German dairy co-operatives and 8 percent among second-tier. Generally some two-thirds of these provisions are regarded as long-term capital funds available for investment purposes. Provisions do not, however, unlike depreciation, constitute a continuing major source of finance once pension schemes have been established, but may be of some considerable significance during the establishment stage.

f) Asset Depreciation

It is financially prudent for co-operatives to utilise fully the depreciation possibilities allowed them under the commercial law. Even in France, where co-operatives are not taxed on trading profits with their members, policies of fast depreciation as a means of reducing the amount available for distribution as a bonus to members are general amongst dairy co-operatives, partly in anticipation that tax advantages will not be available indefinitely. Reliance on depreciation as a source of finance is strong in both German and French dairy co-operatives, and, where trading surpluses are adequate, full advantage of the depreciation provisions allowed are taken. In France, this involves depreciation being combined with continuous asset revaluation: this both increases the funds available for actual asset replacement, particularly important in periods of inflation, and ensures a high asset ratio against which to borrow. In Germany, revaluation possibilities are limited since values of assets for balance sheet purposes cannot exceed their production or acquisition costs. Depreciation provisions are thus not regarded as particularly generous unless special rates can be claimed - most notably by firms in areas adjoining the East German border.

As with reserve formation, financial prudence on the part of the management of dairy co-operatives in utilising to the full the depreciation possibilities open to them may conflict with the short-term interests of the membership,

since depreciation effectively increases a co-operative's funds without the explicit prior approval of its members. Under-valued assets mean the creation of hidden reserves, which represent useful financial strength against which borrowing can be made and which are used for smoothing out fluctuations in surpluses and thus protecting the declared reserves. In Germany tax legislation allows such reserves to be realised without tax liability for reinvestment in similar assets. Depreciation sums themselves, by becoming available in anticipation of future replacement of assets, are in the meantime available for immediate financing purposes on a continuous basis.

The freedom of dairy co-operatives to indulge in trade-offs between declaring profits and withholding funds through the depreciation mechanism has its dangers. The level of profitability declared can be manipulated and could therefore in principle be used to mislead members or potential creditors. Inadequate depreciation provisions may be made in the interests of maintaining an appearance of profitability in the short-term. The freedom with which hidden reserves can be formed and dissolved, while advantageous to a skilled and experienced management, may lead to unjustifiable investments being undertaken with insufficient member control. Hence, depreciation policy requires subtle handling - it is required to yield a constant and steady flow of finance, which means a policy of continuous investment and renewal of assets, and it requires the acquiescence of the membership, which again means a continuous process of investment rather than a 'stop-go' approach which might produce periodic negative influences on the milk price. It is apparent that depreciation policy, with its variety of aspects, not all of which are economic, is a forward-looking financing technique as well as a purely precautionary activity.

Aggregate depreciation rates on fixed asset stock values give some indication of the extent to which the depreciation possibilities available have been utilised and the

importance of this source of financing. The aggregate rate among French dairy co-operatives (based on total fixed assets less land) is over 20 percent, indicating as full a use of depreciation by the reducing balance method as is allowed to them. In Germany, the aggregate rate (based on total fixed assets including land) is just under 20 percent, which bears out the contention that German accounting practice is relatively ungenerous in regard to depreciation.*

The source of depreciation is cash flow⁺ which is central to co-operatives' ability to fund their investments. In France, the ratio of cash flow to investment in the co-operative sector, has been falling over the 1970s, and dairy co-operatives today barely have the self-financing capacity to meet their investment needs, given the increasing level of milk produced and delivered to dairies and the higher export targets set by the government. In Germany, however, it appears that investment in fixed assets is often entirely funded from cash flow, and that cash flow generally is higher in relation to turnover than in France. This emphasises the importance to dairy co-operatives of being able to retain sufficient funds in the form of depreciation charges. Co-operative accounts studied indicate that almost 90 percent of total new investment in fixed assets by first-tier dairy co-operatives in Germany is funded from this source alone.

* Note that the German figure is based on all fixed assets, including land to which depreciation hardly applies.

⁺ Defined for a given year as the amount added to provisions and reserves (new resources), the amount set aside for depreciation (freed resources), and any remaining profit declared.

g) Other Aspects of Capital Resource Management

Dairy co-operatives have a variety of minor courses open to them for the freeing of capital resources for investment purposes. Rationalisation and improvements in efficiency, particularly in the handling of milk, in the establishing of the right product mix, and in storage processes, may free capital for further investment where output and turnover can be maintained with reduced capital input. Debt management is another potentially important area where, although monthly payments to milk producers can only be delayed until the middle of the month following delivery, German dairies gain considerably by delaying the payment of supplementary payments at the year-end by up to one (or even occasionally two) years. Such payments are therefore often outstanding until after the following year's earnings have been made and they effectively represent a constant availability of long-term capital resources. Both French and German first-tier dairy co-operatives are able to improve their debt collection process by trading with second-tier co-operatives rather than directly with the market. A favourable balance between debts payable and debts receivable can generate significant amounts of credit.

The benefits of modern equipment may also be available, without the necessity for major investment, through leasing. Although not practised on a wide scale among German dairy co-operatives, it is frequently employed in the case of computer installations. In France, however, leasing is increasingly replacing the acquisition of fixed assets of all kinds among dairy co-operatives, although its precise extent is difficult to determine since the charges are not recorded in published accounts. Dairy co-operatives may also avoid heavy investment in transport facilities through entering into contracts with private transporters, both for the collection of milk from members and for the delivery of dairy products to customers.

Possibly the most important aspect of capital resource management is the learning process to which dairy co-operative managers are subject. Considerable scope exists in the fields of pricing policy, depreciation policy and bonus retention policy for motivated managers to exploit finance sources without recourse to the co-operative's general meeting nor with the membership being aware of the details of the policies pursued. The higher degree of professionalism at the second-tier co-operative level and the increasing sophistication of first-tier co-operative managers as the co-operative dairy sector becomes more concentrated are important factors in the future of relations between dairy co-operatives and their membership.

h) State Assistance

French Government assistance to the agricultural and co-operative sectors is reputedly substantial. The extent to which dairy co-operatives have been beneficiaries is impossible to quantify, but financial assistance has taken the form of credit subsidisation through Crédit Agricole (a declining source of aid), tax privileges, and capital investment grants (although again this aid source is declining in importance as the Government seeks to narrow the differential between financial assistance available in the co-operative and private sectors). Traditionally among French agricultural co-operatives, one-third of capital requirements could be raised in the form of grant aid: this, together with their continuing preferential fiscal status, has been crucial both in easing the problems of financial management and in allowing the larger dairy co-operatives to build up financial reserves from which to finance expansion.

Future Developments

In both France and Germany, the co-operative share of the dairy industry is substantial. Co-operatives handle almost

60 percent of liquid milk sales in France and almost 75 percent in Germany; they have well over 50 percent of the butter market in France and 85 percent of it in Germany; and their share in some types of French cheese manufacture is over 50 percent, with German dairy co-operatives having over 70 percent of their total domestic cheese market. It follows, therefore, that developments in the dairy co-operative sector are crucial to the future of the EEC dairy industry in general.

Internally-generated financial means, largely due to funds retained as depreciation charges and from surpluses available for distribution to members, are quantitatively predominant. Among the German first-tier dairy co-operatives examined, such finance amounted to 70 percent of the total capital generated overall and in individual cases was observed to be 100 percent. Operational and managerial efficiency is therefore essential to future investment and expansion, and the ability of dairy co-operatives to retain surpluses depends substantially upon the goodwill of their members.

Among French dairy co-operatives, virtually all the surplus nominally allocated for distribution to members was actually retained in the business. It was either credited to reserves or, with the authorisation of the annual general meeting, either retained in the form of additional share capital or allocated to frozen member accounts or to a special reserve ultimately distributable to members. Such retentions of funds are vital for securing adequate internal finance to sustain the co-operatives' activity but involve difficult decisions for the management if the inherent conflict between co-operatives and members is not to surface. In France during the 1970s, producer groups increasingly questioned the investment policies of their co-operatives which had led to low producer prices and high reserve appropriations. German first-tier dairy co-operatives today go to considerable lengths to woo producers and gain their approval.

Trends noted in the relationship between milk producers and their co-operatives are therefore discouraging. In Germany, the tendency for financial strength and investment activity to become concentrated in the second-tier, and the recent strong trend towards 'rationalisation' of co-operative activity within fewer and larger dairies in the first-tier, are reducing the importance of co-operatives securing their members' goodwill. In France, the tendency for first-tier dairy co-operatives to accumulate capital resources for investment, aided by the favourable tax situation, also relegates producer interests to a subsidiary position. To the extent that self-financing can be maintained, dairy co-operatives can retain independence in the policies they adopt which will be determined between the management and the membership. Where, as in France, dairy co-operatives become increasingly dependent on external finance, that independence is threatened. In France, where external finance is backed by government through being largely available from Credit Agricole and IDIA, government direction of the dairy co-operative sector is likely to increase.

The imposition of milk production quotas is likely to continue the weakening of the share capital element of own capital resources. In Germany, where producers leaving a co-operative are generally reimbursed their share capital contributions at two years' notice, the anticipated decline in the number of small milk producers will cause a resource haemorrhage for the co-operatives which is not likely to be met from expanding contributions from producers who remain. Even before the arrival of quotas, structural changes in dairy farming were causing share capital accounts to represent such a haemorrhage, albeit on a minor scale. This will exacerbate the trends already noted, whereby dairy co-operatives will rely less upon the finance of their members and therefore become less accountable to those members. It will then become more likely that the inevitable strains within the dairy sector in the foreseeable future, arising not least from the fact that the

long-term planning of most progressive co-operatives has been based hitherto on progressive expansion, will result in friction between milk producers and the increasingly monolithic organisations which buy their milk and which have the furtherance of their economic interests less at heart. Quotas, by making for increased reliance on non-member capital, may also have a direct negative influence on producer milk prices either as a result of interest charges for outside borrowing or as a result of the need for increased surpluses for retention as reserves.

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CO-OPERATIVE HORTICULTURAL MARKETING IN GUERNSEY
IN TRANSITION

by Malcolm Sargent *

Commercial horticulture has been an important contributor to the economy of the island of Guernsey for most of this century while formal co-operation has existed for thirty four years. The economic adversity experienced by the whole of Western Europe in recent years has been particularly severe on Guernsey horticulture but has stimulated new co-operative initiatives and developments. It is these changes that are reviewed here.

Economic Change

Although Guernsey is a British Isle it is not part of the United Kingdom and is independent of the EEC. Therefore Guernsey's horticultural exports have to compete in U.K. markets with produce from EEC countries that, since 1978, have no barriers to their entry. This is additional to the problems that have arisen from the general economic recession and massive increases in heating and transport costs.

Between 1973 and 1983 Channel Island growers' (including Jersey) share of the U.K. tomato market declined from 17 percent to 9 percent whilst Dutch suppliers increased their share from 12 percent to 28 percent (May to October). Danish pot plant growers have also appreciated the potential of the U.K. market and, backed by several effective co-operative marketing organisations have increased their exports of pot plants to the U.K. from 3.3 to 81.9 million kroner (1984) in the same period. It is ornamentals, flowers

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** £1 = 13.83 kroner, May 1985

and alternative vegetable crops to tomatoes that Guernsey growers have been increasingly turning to since the mid 1970's but the most rapid change has occurred since 1979 (see Tables 1 and 2). About 80 ha of greenhouses ceased production altogether and the tomato area was reduced by 132 ha between 1979 and 1983. In the same period there was a doubling of the area devoted to other edible crops and ornamentals with the largest increase (35 ha) in flower production. The corresponding changes in export revenues are indicated in Table 2 but this understates the performance, because to sustain the value of exports in real terms, revenues needed to increase by about a third over the period.

Some other interesting reactions to the economic circumstances include some completely new crops such as kiwi fruits, horticultural leisure enterprises and an interesting relief work scheme to alleviate unemployment (1). The formal co-operatives have also adjusted to change and some new organisations and structures are emerging (2).

Guernsey Tomato Marketing Board (GTMB)

The GTMB was formed in 1953 at the time when post war restrictions were finally lifted. It was accepted by a majority of producers, but not without opposition, and was empowered by statute as the sole exporting agency for Guernsey tomatoes (3) (4). At that time there were about 445 ha of greenhouses growing 80 percent tomatoes (compare figures above). In the next twenty years the GTMB introduced and sustained rigorous grading inspection procedures and to standards equal to those of the EEC. It is responsible for the organisation of transport, adjusting to new and changing markets and strives constantly to rationalise marketing arrangements. It has a large depot where quality inspections are made and exports despatched in response to continuous and comprehensive market intelligence collection.

TABLE 1

Greenhouse Cropping Patterns, Guernsey 1979-83, hectares (%)

	1979	1980	1981	1982	1983	Change in area 1979 to 1983
Tomatoes	233(64)	191(56)	170(53)	132(44)	101(35)	-132
Other edible crops	8 (2)	11 (3)	11 (3)	19 (6)	18 (6)	+10
Flowers	120(33)	134(40)	136(42)	140(46)	155(54)	+35
Ornamentals	4(1)	6 (1)	7 (2)	11 (4)	11 (4)	+ 7
TOTALS	365(100)	341(100)	324(100)	301(100)	286(100)	-80

TABLE 2

Greenhouse Cropping Patterns, Guernsey 1979-83, hectares (%)

	1979	1980	1981	1982	1983
Tomatoes	24.19(67)	24.66(65)	20.58(61)	18.25(55)	11.65(40)
Other edible crops	0.20(05)	0.40 (1)	0.38 (1)	0.75(25)	1.39(45)
Flowers	11.51(32)	12.41(33)	12.40(37)	13.50(41)	15.57(53)
Ornamentals	0.24(05)	0.33 (1)	0.44 (1)	0.50(15)	0.79(25)
TOTALS	36.14(100)	37.80(100)	33.80(100)	33.00 (100)	29.44(100)

In 1973 several growers started to produce capsicums, as an alternative to high-cost tomatoes, and sought to utilise the expertise of the GTMB to market the crop. A voluntary scheme was agreed and established, with the Board laying down standards for grading and packaging. However, it was not until 1983 that greenhouse vegetable crops, other than tomatoes, were grown in significant quantities. The GTMB, in close co-operation with the States of Guernsey Horticultural Advisory Service has adopted a policy of selecting crops which the market requires. It also identifies the time at which crops are required and the form, quality and presentation necessary to gain best long-term returns. In turn production is integrated into the marketing organisation with growers invited to register their cropping plans as soon as they have been decided so that distribution can be planned. Growers of cucumbers and celery have sought assistance from the GTMB in the provision of centralised packing facilities and this has been successfully provided. The successful operation of the relief work scheme was also made possible because of the pre-existence of the GTMB (1). Although the GTMB has been able to accommodate the needs of these relatively small groups of producers it remains primarily a statutory tomato marketing agency. In the next few years the growers of these alternative crops will expect to have a voice in its affairs and this change of control, organisation and possibly legal format will be a crucial stage in the development of horticultural marketing in Guernsey.

Guernsey Flower Marketing Limited (GFM)

A group of leading flower growers who were dissatisfied with the then operating arrangements for exporting flowers founded GFM in 1973. Their aim was to establish an efficient and orderly marketing co-operative to obtain on their behalf a maximum return for their flowers. This has been achieved through their appreciation of the importance of sustaining a constant presence of their flowers in the markets and the value of an effective market intelligence

service. The co-operative in turn is able to give sound advice and guidance to its members about changes in the market place. The growers are allowed to retain their independence in that their produce is marketed individually with returns for their specific sendings but at the same time, and with all produce is handled together.

An important development in the marketing of Guernsey flowers generally has been the acceptance of a 'Gold Crest' quality brand by most producers. This was introduced in 1982 in recognition that prices are determined remote from the island and so quality is a key factor. To join the scheme a grower must undertake to grade his flowers to agreed standards and State inspectors make random checks (13 percent). They remove labels if produce does not meet the minimum standards. It is a voluntary scheme and well over half of the flower boxes leaving Guernsey now carry the label.

It is financed by the State until the end of 1986 and growers receive a monthly support payment (totalling £284,000 in 1983) for boxes sent with the 'Gold Crest' label. This level of quality control also facilitates publicity and promotion campaigns - which cost Guernsey tax payers a further £95,000 in 1983.

Guernsey Marketing Co-operative Limited (GMC)

The relatively recent developments in the growing and marketing of ornamentals has resulted in a new co-operative. Its origins, as is often the case, were in a grower discussion group that also had some mutual aid elements including offering assistance to new growers. The co-operative was established in December 1983 with the aim of offering to its members a total marketing service including sales, transport, production and administration. Sales of pot plants and nursery stock are made to the wholesale trade in the U.K. They are shipped in bulk and in a variety of stages including cuttings, part finished,

budded and finished plants. By starting with a few customers, contract-like arrangements have resulted and a computerised stock list is mailed regularly to growers and wholesalers in the U.K.

Transport is effected through the RO-RO (roll-on, roll-off) ships using Danish trolleys, pallets and temperature controlled vehicles. Collectively the growers have been able to negotiate favourable shipping rates. Another major activity has been the selecting of products that are appropriate to produce in Guernsey conditions. The growers are also required to keep the central office up-dated about the progress of their stock together with the numbers likely to be available. Inevitably this all involves close liaison with the State's Advisory Service. GMC can also provide collection and centralised packing facilities whilst its administrative office co-ordinates credit arrangements centrally.

Co-operation between Co-operatives

A fundamental principle of formal co-operation is that co-operatives should actively seek to benefit from co-operating with each other. Although this has not yet developed within Guernsey there has been a particularly interesting development between the GTMB and Humber Growers' Marketing Organisation Limited (HGMO), a co-operative based near Hull on the mainland. HGMO markets over 30 percent of the U.K. cucumber crop and has encouraged its members to plant successional autumn crops to extend the season and to be able to offer their customers a longer-term regular supply. Autumn cropping is at present a somewhat speculative activity but in 1983 several Guernsey growers had also become interested in growing late cucumber crops and marketing them through the GTMB. There followed an exchange of visits between the Boards of the GTMB and HGMO which resulted in an agreement in which HGMO marketed approximately 50 percent of the 1983 Guernsey autumn production and continued in 1984. Both parties have benefited to date, the GTMB through a much-reduced risk

involved in the new marketing venture and the HGMO by keeping faith with their customers until Spanish and Canary Island cucumbers are available.

The Future

Economic adversity has stimulated a renewed interest in co-operation in Guernsey in both informal and formal terms. New arrangements and structures have emerged in response to real perceived needs. Sometimes these have evolved from existing structures and new organisations have also emerged. The enormous value of an effective pre-existing co-operative organisation at times such as this is very apparent and undoubtedly growers, familiar and used to dealing with and benefiting from such an organisation are also likely to respond favourably to the newer structures.

It is to be hoped that the spirit of co-operation will be sustained beyond that of being a reaction to adversity and a means of economic survival, although, given the geographical position of Guernsey, it is perhaps inevitable that there will be a need for a long time to come, for some type of collective marketing structure, even when economic conditions improve. It is at these times that those concerned with developing co-operatives tend to look to successful schemes elsewhere as possible models for their own situation. But the world is littered with examples of failed 'co-operative packages' that have been transferred from one location where they have worked, to another where they did not. Local attitudes, social circumstances and previous experience may be very different and necessitate specific co-operative structures accordingly.

To give the co-operatives the best chance of succeeding it will be important to allow them to grow from the 'grass roots' as is mostly the case in Guernsey at present, and in response to proven performance. This may of course take time but imposed and rushed programmes of co-operation have a poor record of success. Ensuring success in the

individual co-operatives will require good management and organisation, the will to make them work and, above all, a preparedness to subjugate independence for the collective benefit. The latter will apply equally to individual members and to co-operative directors and managements.

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THE IMPORTANCE OF PRODUCER CO-OPERATIVES OF DISABLED
PERSONS FOR SOLVING THE PROBLEMS OF PERSONS
WITH ALTERED CAPACITY FOR WORK

by Branislav Bířoš

Man, his many-sided development and his full self-assertion in his own interest and that of the whole society are the goals, as well as the permanent functions, of the new socio-economic order, which is socialism. This has been confirmed by the deep socio-economic changes in the Czechoslovak society, which have occurred in the course of the socialist development of the country. This has also facilitated a new solution to the problems of persons with altered capacity for work.

The producer co-operatives of disabled persons, which, in Slovakia, are a part of the Slovak Union of Producer Co-operatives as a socio-economic organisation, have proved to be a suitable way of concretely implementing the policy of the socialist State towards this category of citizens. Bringing them together in groups makes it possible to apply efficient forms of vocational rehabilitation and to guarantee its good quality.

Producer co-operatives of disabled persons everywhere are applying the principle of adapting work to man by choosing suitable activities and production schedules, and by specifically arranging man's environment at his workplace and elsewhere. At the same time, the co-operatives enable persons with altered capacity for work to re-train or to improve their qualifications. They also create organisational conditions for these citizens to make

* Slovak Union of Producer Co-operatives, Bratislava, Czechoslovakia.

consistent use of all socio-economic advantages offered by the socialist society.

Producer co-operatives of disabled persons are social bodies and therefore, through them, their members take part in the rehabilitation process in their work as well as in their political-organisational, educational and cultural activities and initiatives. It means that persons with altered capacity for work are not mere passive objects influenced by the society, but active subjects taking initiatives, a creative link in the given process. This fact is extremely important as regards the comprehensive solution of these problems and yields positive results. Thus, owing to the qualitatively new conditions established, the sporadic charitable "care" of citizens with altered capacity for work, many of whom had once found themselves on the periphery of social life, has been replaced by their purposeful self-assertion, equal to that of all other citizens, when taking part in many-sided social development.

As early as 1955, the experience which had been acquired and the results achieved in this sphere in Czechoslovakia were noted by the International Conference of Labour held in Geneva. This body stated that the Czechoslovak producer-co-operatives of disabled persons had embarked on a path leading beyond the sphere of medical rehabilitation of citizens with altered capacity for work. Czechoslovakia became one of the first signatories of the convention approved by the Conference.

Although the approach of producer co-operatives to the solution of the problems of these persons was new and the resulting tasks were very demanding and complicated, the co-operatives have been able to cope with them progressively. In the late fifties, producer co-operatives of disabled persons in Slovakia had already got more than 4,000 members. For practical reasons, they were divided into two groups in the mid-sixties: the first included

citizens with altered capacity for work, whereas the second was meant especially for seriously disabled persons.

We consider the suitable re-integration of persons with altered capacity for work into employment to be a fundamental part of their rehabilitation. A procedure was established by the bodies of the Slovak Union of Producer Co-operatives in close contact with the Ministry of Labour and Social Welfare which reflects the theoretical knowledge and practical experience acquired in this field over many years.

A representative of the appropriate authority, a medical examiner, a representative of the producer co-operative of disabled persons, the foreman from the workplace in question, sometimes also the officer in charge of the safety and health-protection of personnel, a works medical-officer and the members of the commission for the welfare of the co-operative members take part in choosing suitable employment for a person with altered capacity for work. A characterisation of every occupation as to the physical exertion required and the factors of the working environment, i.e. a socio-psychological analysis of the workplace, is taken into account in order to choose a suitable workplace. Places of work in the producer co-operatives of disabled persons in Slavakia are now divided into three basic categories:

- for persons whose capacity for work is altered as a result of internal disease;
- for persons with restricted movements of limbs and spine; and
- for persons whose eye-sight or hearing are impaired or who are deaf and dumb.

A series of subgroups is being constituted from these basic groups.

A complex of economic, psychological, sociological, physiological and medical factors, considered in their interaction, enables the officers to form the most objective picture as to which place of work is the best for a person with altered capacity for work, given his disposition. Practice shows that this procedure enables such persons to participate fully in the many-sided development of the society. This confirms the theoretical starting-point according to which work is the most important sphere of man's self-assertion and acquires a new quality in man's life under socialism: it ceases to be only the means of earning one's living.

The producer co-operatives of disabled persons are favoured by the State and co-operative bodies in the sphere of social policy. The socialist State, for instance, allows them substantial tax-relief. Disabled persons' co-operatives of the first category pay only 70 percent of the normal amount of the profit tax, whereas the co-operatives of the second category do not pay any profit tax at all. Their social-security contributions are also lower. They contribute only 10 percent, instead of the usual 20 percent, of the total amount paid in wages.

In this way, conditions have been created for the producer co-operatives to build their own medical centres for treatment and rehabilitation and their own recreation centres. They arrange various forms of holidays in Czechoslovakia and abroad for their members and their families. The Slovak Union of Producer Co-operatives favours the co-operatives of disabled persons by giving their members the opportunity of free medical treatment in spas and of staying in co-operative recreation centres.

Producer co-operatives for disabled persons are given relief when making their contributions to central co-operative

bodies. They also receive grants and subsidies from the State and from the Slovak Union of Producer Co-operatives to carry on their economic and social activities. In the late seventies, for instance, seven such co-operatives received State grants for capital construction, amounting to 60 million Czechoslovak crowns. The credits granted to the co-operatives of disabled persons from central co-operative funds have a lower rate of interest and more favourable conditions of repayment than those given to other producer co-operatives.

All-round socio-economic development and consolidation of producer co-operatives for disabled persons has been registered in Slovakia. There are now 17 such co-operatives there, three of them being classed in the second category. Almost 10,000 members are working in them, more than 70 percent of whom are persons with altered capacity for work. These 17 co-operatives include almost 300 factories and places of business, including small pick-up services and co-operative workshops. They are located virtually over the whole territory of the Slovak Socialist Republic.

In the last ten years, producer co-operatives for disabled persons have increased the amount of work done and services supplied from 370 million to 835 million Czechoslovak crowns in value, i.e. to more than double of the original sum. In 1975, they delivered goods to the value of 365 million crowns (retail price) to the domestic market, supplied services for 68 million crowns to the population and exported goods worth 75 million crowns, freight paid. Whereas, in 1980, they delivered goods worth 560 million crowns to the domestic market, supplied services for almost 90 million crowns and exported goods to the value of 100 million crowns.

It is almost impossible to enumerate every product which the producer co-operatives of disabled persons are turning out. Their elegant and practical products surround and accompany all Czechoslovak citizens, from the youngest to the oldest,

at home, in society, at school, at workplaces, after working hours, when they practise sports and enjoy themselves as well as on holiday. The high level of household equipment has increased the need for various services, repair work and maintenance. They repair appliances, watches, sewing machines, knitting-machines, optical-mechanical instruments, office machines, mini-computers, sporting and fishing tackle and furniture in their repair shops and "houses of service", they keep barber's and hairdresser's shops and beauty saloons as well as glazier's shops, and they decorate flats and do many other things. In collaboration with other producer-co-operatives, they also take part in large-series production, especially of small parts which do not have the character of end products.

This development of the activities of the producer co-operatives of disabled persons and the positive results achieved by them are certainly not due to any greater physical and psychical strain of their members. On the contrary, the seventies saw an unprecedented improvement in the social and health aspects of production, and an improvement in the general work and other environment of people with altered capacity for work. When looking at these results, the great organisational and managerial effort made by the co-operative bodies and the everyday dedicated and scrupulous work of the member communities of these co-operatives must also be remembered. In addition to the introduction of suitable production schedules and to the systematic improvement of the organisation of work, this effort has also included very large capital construction and technological development on which the Slovak Union of Producer Co-operatives expended almost 500 million crowns to enhance the socio-economic development of the co-operatives of disabled persons.

The all-inclusive care given in Slovakia to citizens whose capacity for work is altered may be exemplified by the Levoča factory in which blind people are working. This

plant is part of a producer co-operative of disabled persons, which has its headquarters in Košice. A completely new factory, medical and housing facilities, including cottages, were built at Levoča, giving blind members the possibility of full assertion in their work and in society. Conditions have been created for the blind members to live a full family life and to raise their living standard up to the average.

The way in which the member communities of the producer co-operatives of disabled persons have developed so far, their present many-sided activities and their good prospects justify the opinion that great qualitative changes, closely linked with the mission and humane aims of socialist society, have been made when coping with the problems of citizens with altered capacity for work. The working system of co-operatives as social bodies is creating extremely favourable conditions for their member communities as well as for individual members to play an active social role, which is a fundamental attribute of socialist man, and to do so in spite of the members' bad health or bodily disablement. The activity of citizens with altered capacity for work is not limited to earning money. They are also interested in general problems, in the successes or failures of their shops, co-operatives and of the whole society, in all spheres of life of the member community of their co-operative, not only in the sphere of its production of goods. So these citizens become class-conscious managers taking part in a great work in accordance with the interests of the whole society.

Members of these co-operatives carry on the most varied trades, practise the most varied professions and hold the most varied offices: they may be found as skilled workers and foremen in workshops, co-operative managers in offices or members of the elected bodies of their co-operative or of the Slovak Union of Producer Co-operatives. They also take an important part in organising and stimulating socio-economic and cultural-political life according to the territorial function of producer co-operatives.

Czechoslovakia's socialist society creates conditions for the comprehensive and consistent solution of man's problems in general, purposefully spotlighting and tackling human problems as an integral part of the development of society, as a pre-requisite, as well as an aim, of progressive efforts. These conditions, however, do not exert their influence automatically. Social activity is also needed if persons with altered capacity for work are to assert themselves in the process of social development. In this respect, the producer co-operatives of disabled persons are playing an important role. They enable these people to have good access to material and spiritual values, and they assure their increasing participation in the creation of values and in the administration of public affairs.

CO-OPERATIVE SHIPPING

by Laszlo J. Kovats *

Perhaps no other economic activity than international shipping demonstrates the absurd claim of the capitalist system to be able to provide for all its workers while efficiently serving needs dictated by market forces. A fresh approach is needed to ship-owning and ship-management based on co-operative principles which would go a long way to ameliorate, if not entirely eliminate, the major difficulties now besetting international shipping. One or more co-operative of seafarers would revolutionise the ownership and management of ships and bring about a more rational regime in the shipping industry which would serve the needs of world trade far better than existing arrangements.

Shipping is a capital-intensive service industry, the stamping ground of surplus money possessed by individuals and corporations alike. The feast or famine cycles - a feature of the industry - have failed, so far, to make any lasting impression either on ship-owners or their bankers. Subsidies, tax concessions and cheap loans to purchase ships also contributed to the over-supply of cargo-carrying capacity. Some 10 percent of the world's merchant ships are idle; about 1,000 dry cargo ships can find no work.

There has always been an imbalance between supply and demand for shipping. When trade is buoyant and cargoes are plentiful, ship-owners obtain uncovenanted profits for themselves at the expense of cargo owners; when trade is slack and cargoes are hard to find, owners of cargo are somewhat better off but seamen lose their jobs. In good times huge profits are made by private individuals who, as a

* Seafarers Limited, U.K.

rule know very little about the ships and the seamen who made those profits possible. Ships represent virtually uncontrollable capital which exploits all those weaker than itself, owners of cargo, the seamen and even governments through whom many millions of economically impotent people speak. When the ship-owner can no longer afford it, standards of safety on board ship are lowered with the consequences of accidents to seamen and, frequently, loss of life and ships. The attainment of industrial democracy on board ships by seamen or employees working ashore in the industry is impossible within the present structure, no matter how paternalistic or well-intentioned employer/employee relationships occasionally are.

All co-operatives, and a seafarers' co-operative is no exception, are faced with commercial realities, and organisational and internal balances of their members. The problems of co-operative shipping in these respects are not as unique or forbiddingly complicated as they may first appear. The essential world-wide dimensions of the commercial arena in which it operates and the potential multinationality of its members require people whose skills and experiences lie in having worked in the industry. The hire of capital is more difficult but not insurmountable.

Financing of ships instead of voyages led the industry into drastic reductions of fleet sizes, bankruptcy for many ship-owners and the abandonment of shipping as a sector of corporate activity. The triumphs of a few years ago of the perennial capitalist allurements of property and profits turned into a financial damage control exercise with disastrous consequences for seamen and other workers of the industry.

Undeniably, the indefinite prospect of low freight rates has great immediate attraction for cargo owners. However, the contentment with the status quo will not last. Past experience shows that freight rates can rise as soon as the market allows them to do so. Shippers whose involvement

with conference lines are a necessity know only too well the fickleness of tariffs. Ship-owners as carriers are quick to take advantage of any increase in demand for their services. Cargo owners, on the other hand, have no effective control over rate levels apart from taking advantage of the competition for the cargo at their disposal. Political or other turns of events could change the economic balance between ship and cargo over-night. Monetarism may go out of fashion, or the ship-owners succeed in scrapping more ships than are being built. Cargo owners are then left, once again, powerless to influence freight rates whether in the liner trades or on the charter market. Stability of either prices or availability of shipping space is not a constant feature of the industry.

Co-operative shipping offers price stability, better service for shippers and more efficient operations. By far the major part of the world's trade is moving between fairly well-defined destinations. Liner services are built on cargoes originating from one location and carried to another at regular intervals. In the dry-bulk trades, such as grains, ores, fertilizers, etc., the localities may vary from time to time, but the movements of the cargoes themselves occur regularly and conform to a recognisable pattern of trading as far as the ships are concerned. Liquid bulk-cargoes, such as crude oils and refined products, also follow pre-determined routes; only the quantities transported may alter as the demand for the particular product falls or increases.

For a workers' co-operative with no capital to become a 'ship-owner', cargo is needed. Freight is the mother of wages: with assured revenues the ships earn their keep and can make profits. To be another ship-owner looking for cargoes would be unwise and impractical even if the co-operative of seamen had the capital resources to do so, and impossible without financial backing on a large scale. Joint venture arrangements between those who provide the cargo and owners of the ships which carry it are an accepted

method of collaboration. By entering into such contractual relationship each will obtain an advantage; the ship-owner will have the cargo to carry and the freight to earn for a period of time, while the provider of the cargo will have obtained a somewhat reduced transport cost from what he would have had to pay on the spot charter market. Similar arrangements can serve equally well a seamen's co-operative.

To have another co-operative, either a producing one or a consumer one, as the other partner in the joint venture arrangement would be an added bonus. Any seafarers' co-operative must remain a carrier at heart, but in true partnership with the provider of the cargo the business of transporting goods by sea would be less wasteful of resources. With the active involvement of producer or consumer co-operatives it would be possible to establish shipping services in the liner trades and in the carriage of bulk cargoes alike. Furthermore, the co-operative providing the goods or cargoes to be transported may provide only part of it; the remainder can be obtained on the existing freight markets. Trades and cargoes differ greatly in what is, or is not, a commercially viable level of activity as far as operating the vessels profitably in that trade and with those cargoes is concerned. In the liner trades, for example, assured cargoes in sufficient volume to fill about one half of the ship both ways (i.e. from one port, or group of ports, to another and back) would enable the establishment of regular liner services since the other half of the ship would be filled with goods and cargoes obtained on the market. In competition with other ship-owners and carriers, the seafarers' co-operative would be at an advantage for having secured a substantial part of the liner's bookings from other co-operatives. In the dry and liquid bulk trades the matching of cargoes and routes is the jigsaw puzzle; the activity is one half of the heart of the shipping business.

The other half is the running of the ships themselves.

Owning and operating ships is a capitalist enterprise par excellence with all the features of exploitation of workers to the advantage of private gain. The appalling hardships of some crews testifies to the callous indifference of many ship-owners. In recent years ships were abandoned by their owners and managers leaving creditors unpaid and the seamen stranded in ports far from their homes without money or food on board. If it were not for the voluntary help from The Mission to Seamen, trade unions and others, the plight of many seafarers would continue indefinitely. The conspiracy of international finance found flags-of-convenience-states which exercise only minimal control over ships subject to their laws. Ship-owners there pay no taxes and are able to avoid all universally accepted controls relating to the employment of seamen. Even on ships of the traditional maritime nations reductions of crew sizes and minimum wage increases are the order of the day. On any rational view of ships' operations it is irresponsible for a large and very expensive ship, for example, carrying 3,000 - 4,000 containers across the Atlantic or Pacific Oceans to have a complement of 25 or so seamen on board; the intention is to bring the numbers down to 18 in order to match one Far Eastern operator in this numbers game. If the ship-owner had his way, ships would sail without seamen; or as someone has reputedly said in the British Parliament, "Seamen should not be paid wages for they are given the chance to travel the world".

In an economic system based on co-operation, capitalist ship-owners would not be needed; ships can be owned and operated without them. As a provider of capital the owner can be replaced by the provider of the cargo or a bank or other source of finance (not that many ship-owners risked their own money on the purchase of a ship bought with borrowed money in the vast majority of instances). Seamen on board the vessel and workers ashore will continue to do what they have been doing all along. The profits which hitherto belonged to the ship-owner can be distributed among those who do the work which made those profits possible.

The ownership and operating of ships, whether engaged in deep sea or coastal trading, lends itself to divisions in which co-operative organisation and principles can be accommodated.

The components of business and organisational activities facing the co-operative of seafarers are:

1. finance, i.e. the vessel obtained in order to provide the co-operative with full and effective control; if purchased, on what terms; if demise chartered, at what rate;
2. commercial management, which consists of seeking cargoes, setting freight rates, controlling agents, supervising disbursement accounts prepared by agents in the loading and discharging ports, directing the co-operative's book-keeping and finances, contacting brokers, insurers, lawyers, etc.
3. ship-husbanding functions; with the exceptions of arranging insurances and the handling of claims for and/or against the ships and the co-operative, all aspects of operating ships can be conducted from on-board. Seamen, especially senior officers are trained and able to draw up their own budgets, keep records, arrange for stores and provisions necessary to the undertaking of the voyage. Superintendence of maintenance, including dry-docking, in all departments can be accomplished from on-board, provided the master, chief engineer and other officers are furnished with the relevant information and data. Satellites and computers for communication on board ships are readily available at moderate costs. The master, who will be a member of the seafarers' co-operative, will keep the accounts for all matters relating to his ship. Voyage accounts and the accounts of wages can be prepared

on board. Involvement of seafarers at all levels will contribute to the efficient running of the ship. Knowledge on the part of the seamen that the work they do will yield enhanced material benefits as well as satisfaction by improving what is their own property. Like a man who owns his house, a seaman owning and managing his own ship is more likely to take care and cut costs sensibly than the tenant whose improvement to the property will benefit the landlord.

Seafarers Limited adopted a constitution with the objective "to carry on as a co-operative for the benefit of its members' the businesses of:

- a) managers of shipping property and companies, operators and managers of ships and other vessels, owners, charterers of ships;
- b) agents and intermediaries for ship-owners, charterers and shipping lines and transport contractors". This clause enables the co-operative to form partnerships with other co-operatives disposing of cargoes, and to partake in the equity of limited liability companies or corporations owning the vessel, which in turn is managed and operated by Seafarers Limited.

The membership clause provides for all employees of the co-operative and any subsidiary of the co-operative "subject to any provision in the Rules made by members on qualification of membership". According to the by-laws "no employee of the co-operative (or a subsidiary of the co-operative) shall be admitted to membership unless he or she has been continuously employed by the co-operative (or a subsidiary of the co-operative) for twelve months before the application for membership is received by the Secretary". Any society, company or other corporate body or individual

whose application for membership had been approved by the Committee may become a member. In the by-laws provisions are made for admission to membership on certain conditions of those who are purchasers of the co-operative's services, i.e. provide the cargoes for carriage on the ships employed or otherwise used in the regular liner trades, and hold bills of lading issued by Seafarers Limited as carrier. Those members who purchase the co-operative's services shall be entitled to a discount on their purchases, i.e. the freight paid by them, in accordance with the determination formulated by the Committee from time to time.

The discount scheme is intended to encourage regular shippers of cargoes to continue using the co-operative's liner services. In order to preserve Seafarers Limited as a workers' co-operative "the right to vote of each non-employee member at General Meetings shall be exercised within the block of 40 percent of the votes of the entire membership allocated to "consumer members who are the shippers on the lines' services operated by the co-operative". 10 percent of the block votes is reserved for members who are "consultants, advisers or who act in any other capacity as independent contractor/s" to the co-operative and whose membership is approved with or without conditions, by the Committee.

Industrial democracy within Seafarers Limited is achieved by allowing members on board the vessel to decide for themselves how the ship should be husbanded. The functions which can be performed on board by the ship's crew can be identified. The control by ship-board personnel over those functions can be complete and without interference from shore-based office staff. This reduces overall costs, for such division of responsibility eliminates the need for a large (and often expensive) office ashore. Decisions relating to immediate operational efficiency are made by ship-board members. Commercial and financial matters are the sole province of the Directors' Committee of Seafarers Limited. It would not be fair in principle and unworkable

in practice if the commercial direction of the co-operative, which in the main consists of securing the cargoes from which the income of the co-operative is derived, were thrown upon shipboard personnel who would have neither the necessary business experience nor the facts at their disposal. At the same time, shore-based personnel have no real knowledge of the needs of a ship and of her seamen to operate as an efficient and cost-effective unit. At General Meetings the whole membership resolves the policy objectives of the co-operatives.

At management level, on board and ashore, there is an overlap of experience and mutual understanding of work performed by each. Ship-masters and other senior officers are expected to be familiar with and knowledgeable about business matters affecting all aspects of shipping, such as charter party disputes, insurance claims, trends in cargo movements, complexities of ship finance, technical advances of communications and the like. Interchange between sea-going and shore-based employment is an integral part of the co-operative's policy. Since the ship is a self-contained unit neither the establishment of industrial democracy nor the sharing of profit made by that ship represents difficulties. For accountancy purposes the cost of a particular voyage is related to the freight collected on that voyage. The income and expenditure of the voyage (even if apportioned between several voyages over a fixed period) is quantified. It is known whether a particular voyage made a loss or a profit. Members are entitled to a share of the profit ascertained.

Rule 3(a) of the by-laws provides that "members working on board a ship, or ashore in close connection with that ship, in which the co-operative (or a subsidiary of the co-operative) has any interest shall, unless exempted by the Committee, form themselves into a group or association with the object to implement, as far as possible, practicable and consistent with the safe and orderly operation of the vessel, the principles of industrial democracy on board that

ship". The rule goes on to state that "any group or association formed by members only to facilitate unity of trading and working on board that vessel shall conduct its affairs so as ... the efficient working of the vessel or other trading unit shall not be impaired or lessened ... resolutions effecting the chain of command on the vessel, whether at sea or in port, shall not be implemented until such time when a safe and orderly change or transfer of responsibility can be accomplished ... provision shall be made on board every vessel to enable members to exercise postal or proxy votes at General Meeting ... provision shall be made for regular meetings of the group or association; proper records of all meetings to be kept ... The Secretary (of Seafarers Limited) shall be provided with regular and effective information on the composition and functions of the group or association ... members shall be entitled to inspect all records, correspondence and other documents in possession of the master, chief engineer or other executive officer whether on board the ship or ashore relating to the trading and working of their vessel and shall be informed by the master, chief engineer and other executive officer of all matters relating to the trading and working of their vessel. Members are not entitled to inspect records in any form connected with personal matters which in the opinion of the keeper of that record is regarded as confidential ... no more than 40 percent of the profits are retained by the group or association ..." 60 percent of the profits are to remain with the co-operative for operating expenses and for reserves.

To maintain discipline and ensure the efficiency of the co-operative's business and internal organisation the by-laws contain the following rules: "(3) Members of the co-operative shall observe the Code of Practice containing instructions and guidance on the management and operations of the vessel as a trading and working unit. The obligations and entitlements in the Code of Practice shall form part of the members' contract of employment with the co-operative or a subsidiary of the co-operative.

(5) Members shall not incur on behalf of the co-operative, nor subject the co-operative to, liability in any form or manner whatsoever except to the extent and in such prescribed form and/or manner as instructed in the Code of Practice or in other form and/or manner evidenced in writing as instructed and/or approved by the Committee or by its authority. (6) Breach of contract of employment on the part of the member or breach of any other obligation imposed upon the member by the co-operative or its officers acting within the limits of their rights under the co-operative's constitution shall have the consequences of dismissal from employment and cessation of membership. Appeal from dismissal shall be made to the trade union of the member's nation seafarers' association which may make recommendation to the Committee for the reinstatement of the member. From the ruling of the Committee the member may appeal to the General Meeting provided the appeal is supported in writing and by a resolution to that effect of the group or association to which the member belonged".

Shipping co-operatives, if sufficient in number and size of operations, would bring about the re-distribution of wealth in the industry and significantly contribute to the development of industrial democracy. Being a carrier whose rates are not dictated by the desire for the greatest profit set by the market, seafarers' co-operatives would be able to keep the cost of sea transport at a reasonable level. There is nothing altruistic in wanting to provide a service at prices which cover the cost of the operation and a small margin for profits. The economic pressures of financing the purchase of vessels, especially new-built, represents constraints. The rising or falling price of bunker fuels, the cost of deck and engine room stores, stevedoring charges and port costs are outside the control of any carrier. While capitalist ship-owners will increase tariffs to accomodate not only the extra costs but will include a substantial profit element on a rising market, seafarers' co-operatives will be able to live with a modest increase.

For example, shippers through the discount scheme of Seafarers Limited liner services will be able to exercise greater control over freight rates, by virtue of their membership in the co-operative, than shippers outside it. The love-hate relationship between shippers' councils and conference lines could be replaced by a spirit of co-operation between ship and cargo. Similarly shippers of bulk cargoes could structure their contracts of affreightment with the seafarers' co-operative so as to gain a discount on the freight paid in the event of falling costs of voyages over a period of time.

Everything has a beginning. The first step of the seafarers' co-operative is to secure cargoes on a regular and continuing basis. Producing co-operatives who buy or sell commodities should negotiate contracts of affreightment with the seamen's co-operative; consumer co-operatives whose needs are for liner services should offer their goods to seafarers' co-operatives. Mutual self-help between producing and consumer co-operatives with the connecting link of the seafarers' co-operative between them will signal the advance of a new economic order. More immediately, such a development would enable the penetration of the co-operative movement into an important area of economic activity with global implications. Shippers and receivers of cargoes, buyers and sellers of commodities in developed and less developed countries alike will discover economic, political and sociological advantages of establishing business relations with a sea carrier whose aim is not to exploit its customers or its workers. Seafarers Limited provides the transport services which will complete the international trade cycle of production, movement and consumption of goods within the family of co-operatives, regardless of the distances across the seas and oceans which separate them.

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NOTES FOR CONTRIBUTORS
TO THE
YEAR BOOK OF AGRICULTURAL CO-OPERATION

The Year Book of Agricultural Co-operation has been published by the Plunkett Foundation for Co-operative Studies since 1927. Its purpose is to provide a continuous review of agricultural co-operative development throughout the world from a wide range of viewpoints by publishing articles on countries at regular intervals, on particular aspects of co-operation when these are innovatory or of topical interest; and by debating or interpreting questions of co-operative principles and philosophy. Articles are invited from authors representing variously academic, government, grass-roots and outside points of view, on the basis of an annual editorial plan. However, unsolicited articles will also be considered.

Intending contributors should note that articles should conform with the general policy of the Year Book, presenting an informed analysis of the recent developments backed by factual statements and figures. (Historical references and descriptive background should be kept to a minimum). The purpose of the article should be clearly stated at the beginning and the author should develop the contribution by comparisons, critical comments or recommendations. All articles must be original and accompanied by a statement that they will not be published elsewhere; and they should not exceed 5,000 words (i.e. about 16 Year Book pages) and cannot be accepted later than August of the year of publication. Two copies of the manuscript should be submitted in English or French, typed in double spacing, with the full name of the author, his position and the name of the organisation with which he is associated. Articles are accepted for publication on the understanding that they may be subjected to editorial revision.