

**CENTO TRAVELING SEMINAR ON
MANAGEMENT
AND
FINANCING
OF
MARKETING
COOPERATIVES**

**Central Treaty Organization
(CENTO)**

**Dacca, East Pakistan - April 27-30
Lahore, West Pakistan - May 4-7
Tehran, Iran - May 11-14
Ankara, Turkey - May 20-23, 1970**



Team members obligingly pose for the photographer before their work begins. Left to right are: Mr. Shamsul Huq, Mr. M. C. Wordsworth, Mr. Ralph U. Battles, Team Leader Mr. Glenn H. Pogeler, Mr. Rifat Unaydin and Mr. Mansour Emami. Team member Mr. Manzoor Malik is not shown.

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FOREWORD

THE TRAVELING SEMINAR on Management and Financing of Marketing Cooperatives began in Dacca, East Pakistan on April 27, 1970 and ended in Ankara, Turkey on May 23. The group held workshop discussions for four consecutive days in each of four locations as follows: Dacca, East Pakistan, April 27-30; Lahore, West Pakistan, May 4-7; Tehran, Iran, May 11-14; and Ankara, Turkey, May 20-23.

The objectives of the workshops were:

- 1) To present practical methods of solving management problems faced by cooperative managers
- 2) To explore means of financing marketing cooperatives
- 3) Discussion by team members and participants of problems related to cooperative management
- 4) To discuss training methods for management of marketing cooperatives.

The workshops concentrated on exposing the management problems faced by marketing cooperatives. The first day of each session covered the structure of cooperatives, progress and future plans, impediments to progress, government relations, and the basis for operation.

The second day of each session covered: a) the basic requirements of management in planning, organizing, directing, coordinating and controlling the cooperative, b) employee selection procedures, personnel problems, compensation policy and social benefits required by law or custom, c) assembling and dissemination of marketing information to the producer, d) organization, operating procedures, manuals and written guidelines, e) membership relations, and f) research.

The third day covered all phases of financial management, including: a) credit planning, b) sources and terms of financing, c) types of credit available, d) types of security offered by cooperatives, e) management assistance offered by banks, f) trends in interest rates, and g) credit planning.

The fourth day was devoted to a summarization of the discussions and presentation of recommendations.

The seminar was organized and financed by the United States Government, with the exception of the services of a cooperative specialist from the United Kingdom. The cost of the individual country sessions was borne by the host government.

Individual country reports and recommendations are included in this publication, as well as the text of papers presented by team members. Appendix I includes a few background papers not presented at the workshop.

The members of the traveling team express their thanks to all of the government officials and private individuals who organized the meetings, contributed to the discussions, and gave their whole-hearted cooperation to making the workshops a success.

INTRODUCTION

MARKETING OF AGRICULTURAL products involves the transfer of these products from the producer to the consumer in a form that is adapted to the consumer's needs and is attractive to his tastes at reasonable prices.

Therefore, between the producer and consumer there are several functions that must be performed in the marketing process. These include transportation, storage, grading, processing, advertising, distribution and retailing. It is to the interest of both producers and consumers that these functions be performed as efficiently and as cheaply as possible.

The major problem in each of the three CENTO regional countries is that these marketing functions are now performed with varying degrees of inefficiency, and are excessively expensive. The major purpose of a marketing cooperative, therefore, should be to perform these marketing functions more efficiently and more cheaply. Its management and financial goals should be focused solely on reaching these objectives, and returning the savings to members.

The CENTO Traveling Team has emphasized the basic principles of structure, management and financing of cooperatives which have proven to be successful in other countries of the world. At the same time, the team has recognized that basic principles must be adapted to the economic and social structure of each country.

The team has also emphasized that true cooperatives are a specialized form of private enterprise. In countries where the government is necessarily involved either in financing or control of cooperatives, the team has urged that a definite long range plan be developed whereby the government should gradually withdraw both its financial support and its control. This should be done on a case-by-case basis, and only as rapidly as the cooperatives are able to support and control themselves.

The team feels very strongly that the governments of the CENTO regional countries should put forth their greatest efforts at first on commodities and in areas where there are the greatest chances for success. These efforts then can be expanded into other commodities and other areas, based on previous successful experiences.

The team interpreted the subject of the workshop "Management of Marketing Cooperatives" to cover: a) the structure of both individual marketing cooperatives and of the cooperative marketing movement as a whole, b) the management of marketing cooperatives in its broadest sense, and c) the financing of marketing cooperatives, including both the source of funds and planning for their effective use.

In the CENTO regional countries the volume of produce tends to be small per member, because many farmers have very small surpluses for sale. It was agreed that: a) primary or village societies must be strong enough to handle sufficient volume of produce to make them economically viable, and b) primary cooperatives must be linked to a viable cooperative marketing system.

In the case of management, the workshop tried to cover all the problems of obtaining capable managers for cooperatives, their relationship with the board of directors and with the members, and of broadening the concept of the functions of management to include the whole operation of the business as a cooperative.

As regards finance, it was recognized that management must decide on the types of credit needed, its sources, and method of handling, including accounting and internal audit controls. The accumulation of owned funds through various means, the security available through inventories and physical assets, and contracts for loans, as well as the basis for the use of member-owned capital were all included in the workshop's survey of management.

GENERAL CONCLUSIONS

HISTORY

IN ALL THE REGIONAL COUNTRIES agricultural cooperatives were founded to handle credit for small farmers; in the case of Iran many of these societies were specially set up for land reform farmers. In all the countries some supply and other services for production have been added to the original service of credit. These societies have been reasonably successful as far as they went, but their success has been limited by shortage of funds and by lack of marketing facilities.

In all the countries the marketing process is not orderly and tends to be based on the philosophy of scarcity rather than on profit through an increased volume of business. As was pointed out in the opening address by Dr. Valian, Minister of Land Reform and Cooperatives in Iran, the consumers suffer from this as much as the producers and there is a need for cooperatives to act as pace setters in this field.

Generally, the governments have created cooperatives which are potentially very powerful. In the case of East Pakistan there are very large numbers of all kinds of societies but, as was said during one of the meetings, the cooperative movement is a "sleeping giant." This is to some extent true of all the countries.

RELATIONSHIP OF GOVERNMENTS TO COOPERATIVES

In all the countries the control of cooperatives is in the hands of the government. This control includes establishment, supervision, provision of credits and sometimes of share capital, training of managers and often loaning of government officials as managers, audit and legal control. In some cases governments have established trading bodies to assist cooperatives.

Governments have granted various special privileges to cooperatives over taxation, stamp duty and other normal charges. In some cases loans at less than market rates have been made.

Where there are special government schemes for buying basic crops (wheat and rice, for instance) cooperatives have been used for this purpose, but this has often proved far less profitable than trading in the same products on the open market. Where governments have established monopolies for crops such as sugar, tea and tobacco, cooperatives have not usually been given any special help. Where support prices for special crops are paid, cooperatives, which are required to handle the bulk of the business, are not always adequately paid.

MAJOR PROBLEMS

Government control has sometimes proved to be a serious handicap to good management of cooperatives. There is a lack of knowledge of marketing opportunities, too little analysis of economic possibilities, and a general failure of marketing management. To this there are some outstanding exceptions, especially in Turkey.

The structure of cooperatives, which was set up for credit, has not proved suitable for marketing. The need for bigger (and stronger) primary societies, but without a loss of member involvement and loyalty, has become clear. The streamlining of secondary societies and their organization on a purely functional basis is also necessary. In many cases they are now organized as administrative units.

The lack of member loyalty in all marketing societies is a major problem. There is also much difficulty in enforcing contracts for sale of produce to societies.

The very small amounts of produce available for sale from each member constitute a major problem.

The disorderly marketing system in all countries, with the well established links between money lenders/village agents through market-town buyers to central wholesalers, is extremely difficult for cooperatives to combat, partly because of its close and entrenched connections with villagers and partly because of the strong vested interests of the big merchants who now handle the trade.

Management has to contend with all the above problems. For this purpose, very efficient and well trained men, with good experience, are needed. They must be paid well enough to keep them. Managers also have to work within the democratic framework of the cooperative, and must understand the principles and administrative practices of cooperatives.

STEPS NEEDED TO SOLVE THE PROBLEMS

Structure

The basic need is for stronger societies at the primary level and for functionally more useful secondary societies. This may mean amalgamation of village credit societies, though there may be an advantage in keeping them in existence as branches or agencies of the new amalgamated society. The amalgamated societies should be multipurpose and should eventually be able to provide all the services needed by the farmers of the area. For marketing, they should assemble and transport produce to a competitive market,

or should assemble and transport it to specialized commodity secondary societies or trade organizations for processing, or for some other treatment such as cold storage. Apex financial institutions to provide both production credit and marketing credit are necessary and should coordinate their policy.

Loyalty

As part of structure, membership loyalty must be increased. This means:

- a) Better member education
- b) Greater financial involvement through increase in owned funds
- c) Better and more rewarding services for members by cooperatives.

Management Improvement

This needs a change of concept to a commercial (rather than a governmental) outlook, and from a narrow business attitude to a wiser understanding of the need to create for a cooperative (and without losing the cooperative form) a member-owned and member-rewarding commercial undertaking. For this program, managers must be selected with greater care, be given specialized training, be compensated better and be supported by better market research and information services.

Selection

Managers for the higher (secondary and apex) societies in the past have generally been government officials on loan to the cooperatives. Though it may be necessary to continue to use such men, only those who show commercial ability should be chosen, and "second men" with experience or men from the commercial world should in future be considered for selection.

Training

Management in a cooperative covers a wider field than in the commercial world. In their relationship with both the ordinary members and the board of directors, cooperative managers have to be both educational and informative. This means that managers must be trained in the principles and practices of cooperatives. They also need training in management techniques, which may mean the establishment of special courses or the adaptation of existing courses for them. Inservice training is also essential. This may be arranged by sending trainees to work for a period in higher societies which could be helped to provide special on-the-job training. Finally, managers (both top men and departmental heads) need to continue learning all the time by discussion with other managers at frequent meetings

where problems can be identified and discussed and solutions worked out.

Compensation

Salary and conditions of service in cooperatives need to be equal to or better than those in the commercial world to attract and keep good men. Cooperatives, when they are weak, cannot afford such pay; but, if they do not get better managers, they will remain weak. To try to solve this problem, government have provided managers on loan. However, such men have not always proved dynamic managers or good cooperators. If, through better selection and training, better managers are made available, some way of providing good pay and terms of service must be evolved. It is possible that a union to select, train and compensate managers should be set up. This union would look after the interests of managers and arrange retirement pensions and other social security schemes and would recover from the societies which employ its members a portion of their salary, based on the turnover of the society. There are a number of other possibilities between outright government employment and straight commercial hiring and firing, and it is probable that each country may use a different solution.

Finance

More funds must come from the members themselves, through savings, retained profits and other means. But if cooperatives are to take an effective part in marketing they will also need long, medium and short term finance from outside sources. Every effort to tap commercial sources of finance should be made but even so,

government loans and guarantees are inevitable. If possible there should be made a program for withdrawal over the years and replacement by owned cooperative funds. Better accounting systems and internal auditing of accounts to enable them to be used as a management tool are also needed.

Marketing Research

In the regional countries very little is known about either existing volumes, qualities and seasons of production, or about existing marketing practices. Research into these matters is necessary, but so is research into marketing opportunities, into costs and benefits of processing, storage and so on and into areas where vested interests are weak and cooperatives might have a good chance of success. In highly developed countries this sort of research would be done by alert managers for themselves, but in the regional countries, where statistics and information are meager, and where managerial skills are not developed, this kind of research must come from outside, probably through a government-supported institute established for the purpose.

OTHER COMMENTS

In some CENFO regional countries it appears that cooperative laws, regulations, internal by-laws and other basic legal provisions may inhibit the development of a modern marketing system for cooperatives. For this reason, the legal system which affects cooperatives should be examined and, if necessary, modified and brought up to date.

RECOMMENDATIONS BY THE TEAM MEMBERS CONCERNING MATTERS FOR WHICH FOREIGN TECHNICAL ASSISTANCE MIGHT BE HELPFUL

TRAINING

THERE IS A NEED for better managerial training for marketing in all the CENTO regional countries. In the universities and technical colleges there are courses in management for top level men, but these courses need to be made more practical and more thorough in the marketing field. Since the management of marketing cooperatives differs somewhat from management of ordinary marketing business, there is also a need to teach cooperative managers about cooperatives. It may, therefore, be best to prepare entirely new courses for managers of marketing cooperatives, to cover the practical application of the whole subject. Possibly a special institution for this purpose should be set up.

For managers of cooperatives at lower levels, such as primary village societies or for bigger societies and unions, training courses are given by all the countries concerned, but they need to be improved to fit the managers for the more dynamic role they will have to play in future.

It is recommended that the CENTO regional countries seek foreign technical assistance on the whole subject of training and especially for preparing suitable curricula for the various levels of training.

MARKET RESEARCH

To help bring about a more orderly marketing system there is a need for better and more varied market information. This should cover the following:

- 1) Statistics of production, of crops and livestock, including regions and acreage, seasons of production, costs and other relevant information
- 2) Statistics of prices in various markets inside and outside the country
- 3) Analyses of costs and benefits of various market functions such as processing, storing and grading of various commodities
- 4) Studies of transportation and handling costs, locations of processing and storage facilities and other physical distribution studies
- 5) Feasibility studies of various undertakings
- 6) Projections of future market trends inside and outside the country.

In all countries the collection and dissemination of statistics is considered to be the responsibility of the government. The team suggests, however, that in the CENTO regional countries, governments should go further than they do at present by collecting more accurate statistics and by dis-

seminating the information more quickly through all the modern media available, and that they should provide for a staff to study and interpret the statistics in order to give them a practical value for marketing managers.

Cooperatives should also organize within themselves a special service to advise management on marketing problems. In countries where information is meager, distances long and communications slow, management needs special advice from a central service dealing with purely cooperative problems.

REPORTS

The team members from the CENTO regional

countries should report progress in each country concerning matters mentioned in these conclusions and recommendations by June 30, 1971. Such reports should be coordinated through CENTO and circulated.

CENTO FOLLOW-UP

In view of the importance of marketing for all the CENTO regional countries, which became increasingly clear to the team during the course of the workshops, it is recommended that a special CENTO subcommittee be set up to deal with the subject of agricultural marketing. Such a committee should include adequate representation of the cooperative point of view.

COUNTRY REPORTS

EAST PAKISTAN

by
Shamsul Huq

Historical Background

EAST PAKISTAN is a land of small farmers. It has a population of 60 million, 85 percent of whom depend upon agriculture, but it has an area of only 54 thousand square miles.

The farmers were always exploited by money lenders. Sometimes the rate of interest on their loans went up to 150 percent. To save the farmers from such moneylenders the first Cooperative Credit Societies Act was passed in 1904. Gradually a network of cooperative credit societies at the primary, secondary and apex levels was organized. Other financial institutions, e.g. agricultural development banks, were also set up at government initiative. The credit situation for the farmers eased but their financial condition did not improve much. The reason was they are small farmers and they have to sell their production immediately after harvest as they do not have any holding power. They cannot take their small amount of produce to the wholesale market place because of the cost involved. They cannot bargain with the private trader because these traders are very well established. So the farmer doesn't get a fair price for his produce and consequently he remains poor. How to give him a fair price for his produce is the problem.

Marketing is a complicated process. The farmer's produce has to be collected, graded, stored, processed and then made acceptable to the consumers. These things are being done efficiently by the private trade, but only for their own interest. The ultimate consumer pays a high price, but the primary producer does not get a fair price. Cooperative societies of the farmers themselves seem to be the answer.

Present Structure of Marketing Cooperatives

A three-tier marketing coop system was set up in East Pakistan in 1960 for the purpose of collecting, grading, storing and processing the farmer's produce. By taking over the operations previously performed by the private trader, the cooperative is able to give the farmer a fair price for his produce.

- 1) Cooperative multipurpose societies were set up at a primary level. These societies grant credit to the farmers, distribute seed, fertilizers, and arrange for irrigation when necessary. They also collect members' production.
- 2) Central marketing societies were set up at market level. They grade, store and arrange for disposal of members' production when the market is favorable, and also send the production to the processing plant owned by the apex society when processing is necessary.
- 3) The apex marketing society has to process the production and arrange for its sale at favorable market rates. The apex marketing society has a few rice husking mills, milk processing plants, cold storage for potatoes and ice plants for fish.

Relationship of Government to Cooperatives

CONTROL

There is a Government Department of Cooperative Societies in both wings of Pakistan. A cooperative society has to be registered by that department. The registration gives the society a legal status and without registration no society

can function. Annual audit of the accounts of the societies and inspections are done by the cooperative department. It is also their responsibility to see that the societies function as per provisions of law.

FINANCE

Government provides strong financial support for the coops. They contribute to the share capital, supplement staff cost and grant long term loans to marketing coops that have been taken under the five-year development scheme. But Government never interferes with the day-to-day administration of the societies.

PRIVILEGES

Cooperatives are exempt from payment of income tax, in respect to profit earned with transactions with members. They are also exempt from registration and stamp duties. Disputes between members and coops can be decided by the registrar or his staff without going to the court, an action that involves cost and time.

GOVERNMENT MARKETING SCHEME

The Government doesn't have any marketing scheme in particular. In respect to jute, which is a major cash crop in East Pakistan, the Government fixes a minimum price annually and the Government also takes care to see that the price does not go below the minimum price.

Major Problems

The present system of marketing in the country is defective and wasteful because of the multiplicity of middlemen and operating agencies. It results in the exploitation of the farmer because of his weak bargaining power, lack of education and knowledge of market conditions. No storage facilities are available to the farmer. He is unable

to take his produce to the market because of his small marketable surplus and heavy transport cost. Weights and measures are not always reliable. The prices prevailing in the market seldom reach the farmer through a neutral agency. Removal of these handicaps is necessary in order to enable the grower to receive for his produce a fair share of the price ultimately paid by the consumer.

Proposed Steps Necessary to Solve Problems and Increase Effectiveness of Cooperatives

Regulated markets, provision for credit, standardization of weights and measures and grade specification may go a long way toward solving existing problems, but producers' own organizations should be strengthened in order to undertake marketing and even processing of agricultural crops on their behalf and in their interest. Processing services are performed by private interests and individuals, and have to be paid for. These services are essential for satisfactory and orderly marketing. They cannot be dispensed with. Therefore, the question is not of doing away with them, but integrating and improving the services in the interest of the primary producer. Herein comes the question of structural change in the coops. The coops will have to be strengthened and made a viable organization. The management will have to be improved by proper selection, training and compensation. Adequate financing will also be necessary. Coops should see that their funds are properly utilized. Government should come forward with finances only when there is potentiality for success and good management. Market research is also a necessity.



Team Leader Mr. Glenn Pogeler opens second day speeches.



Team members take time out to get acquainted in Lahore.

COUNTRY REPORTS

IRAN

by
Mansour Emami

Historical Background and Present Structure of Cooperatives

THE COOPERATIVE MOVEMENT in Iran is young. Because of some previous social problems, such as ownership of the land, cooperative societies were originally difficult to establish and expand for the benefit of the farmers. During 1938 and 1939 the Bank of Agriculture took some steps to organize agricultural cooperative societies in Iran. From 1949 to 1952 there was a serious challenge, and with the distribution of his own estates by H.M. Shahenshah and the help of American technicians to found cooperatives for those who received land from His Majesty, some effective cooperative societies were organized under the Bank Omran. After the implementation of the general land reform program in 1962, the Iranian Government established the Central Organization for Rural Cooperatives (CORC). At the moment, this organization controls 8,500 rural cooperative societies and 112 rural cooperative unions in different parts of the country, with a membership of 1,400,000 farmers. In fact, half of the total farmers of Iran have been organized into cooperative societies. They started their activities with credit, and gradually, as some of

them became financially stronger, they were able to add other services, such as the distribution of fertilizer, seeds and kerosene to the farmers.

Relationship of Government to Cooperatives

At the present time the Iranian cooperative movement enjoys the full support of His Majesty the Shahenshah Aryamehr and the Government. The rural cooperative societies in Iran are under the supervision and control of CORC and the ultimate goal of CORC is to have these small societies grow day by day and year by year, until one day they will be able to stand on their own feet, to be helpful to the farmers as well as to the country. CORC was established in the summer of 1963. Since that time it has been able to provide some credit for the cooperative societies and to train the necessary supervisors and manpower to manage and supervise these small societies in the villages. Also CORC has been able to provide some marketing facilities for the farmers who are members of these cooperatives, as well as to provide seeds, fertilizer, kerosene and some basic consumer commodities. CORC was set up by the Government as a credit, trading and supervisory organization, and the initial capital was 1,000

million rials which was invested in CORC by the Government. According to the charter, which was approved by Parliament, it is a commercial organization and the Minister of Land Reform and Rural Coops is the representative of the Government's shares in the General Assembly. The Government share is in fact the majority of shares. The cooperative unions are in the process of buying the shares of CORC. The Government of Iran helps CORC financially in order to enable this organization to supervise these cooperatives.

Major Problems

The major problems of the cooperatives, especially in the field of marketing are:

- 1) Traditional close contact between the farmers and the middlemen
- 2) Lack of warehouse and cold storage facilities
- 3) Lack of factories for processing, sorting, grading and packing of the farmers' products
- 4) Lack of sufficient credit
- 5) Shortage of qualified managers for the cooperative unions.

Proposed Steps Needed to Solve Problems and Increase Effectiveness of Cooperatives

In order to make the cooperative movement more effective the following steps will have to be taken. These generally are in the CORC program for the current year.

FINANCIAL ASPECTS

- 1) Strengthen more cooperative societies and cooperative unions financially in order to enable them to expand for commercial and marketing tactics.
- 2) Provide more credit for the cooperative unions, especially those engaged in marketing activities.
- 3) Establish a savings scheme for cooperatives and encourage the farmers to put their savings into the cooperatives.
- 4) Encourage the farmers to buy more shares in the cooperatives.

EDUCATIONAL ASPECTS

- 1) Continue the educational activities of CORC, which means to strengthen the educational program for managers and directors of the cooperative societies and cooperative unions, by offering educational courses in universities, seminars, short term education training courses, and by providing education abroad.
- 2) Prepare new regulations for retirement pensions for the managers of cooperative societies and cooperative unions.

MARKETING ASPECTS

- 1) Expand commercial and marketing activities to enable cooperatives to market more agricultural crops.
- 2) Establish cooperative shops in the villages and prepare consumer commodities for the farmers.
- 3) Have the cooperatives do a better job of collecting wheat and other price-supported produce of the farmers for the Government.
- 4) Prepare projects to buy and administer processing, sorting and grading factories for cooperative unions.
- 5) Research market prices and opportunities in order to have a better market for the farmers' crops inside and outside the country.
- 6) Provide a marketing expert for CORC.

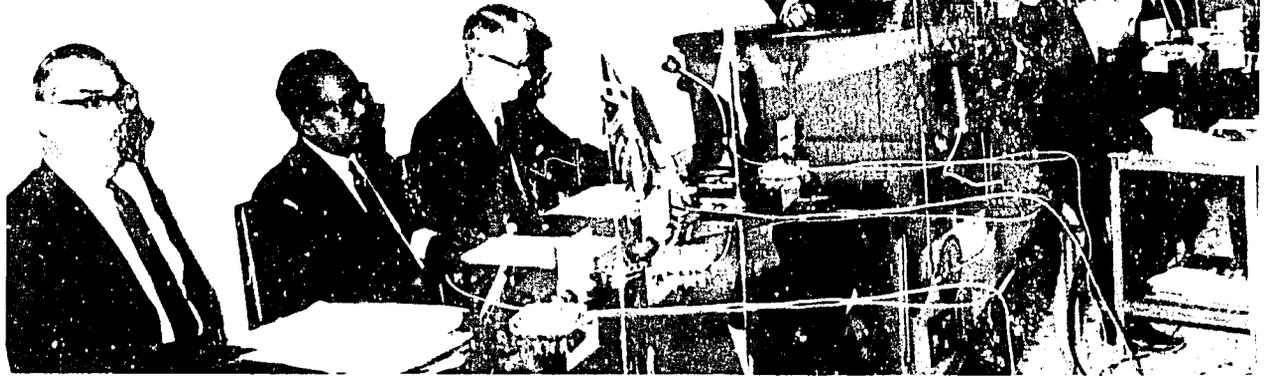
OTHER COMMENTS

It would be useful if team members reported to CENTO in a year's time on any action taken by their governments to implement the suggestions made by the team as part of its general conclusions.

Considering the importance of agricultural marketing, and particularly of such marketing by cooperatives in the CENTO regional countries, it might be useful to add a marketing subcommittee to the CENTO organization, to follow up the suggestions made by the team and to help in implementation.



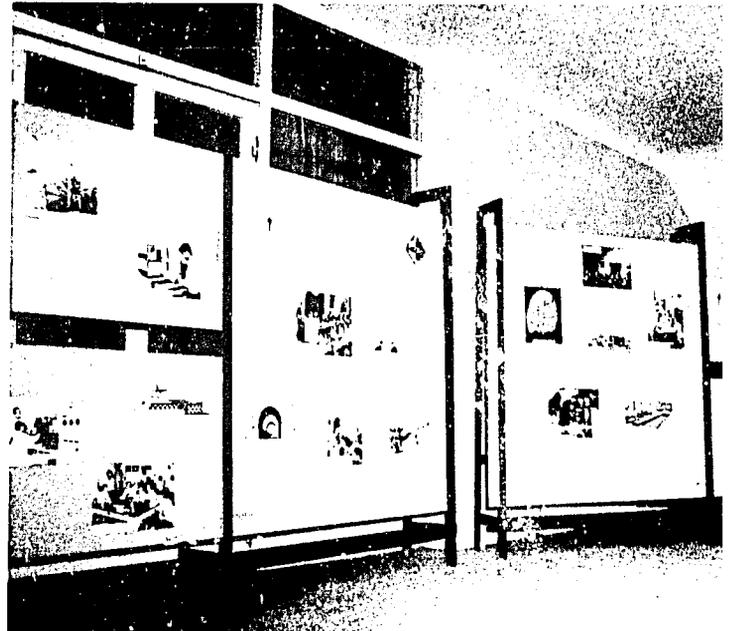
CENTO
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H. E. Dr. Abdol-Aziz Valian, Minister of Land Reform and Cooperatives, opens the Tehran portion of the seminar.



Shown here is the CORC building where the Tehran sessions were held.



Photos of CENTO activities in Iran, Pakistan and Turkey were on display in Tehran.

COUNTRY REPORTS TURKEY

by
Rifat Unaydin

Historical Background and Present Structure of Cooperatives

BRIEF HISTORY

THE AGRICULTURAL COOPERATIVE movement was started in Turkey in 1863. The first agricultural marketing cooperative was established in Aydin Province in 1914. After the approval of the agricultural sale cooperatives and sale cooperatives unions law in 1935, these marketing cooperatives increased and spread all over the country.

PRESENT STRUCTURE OF COOPERATIVES

In Turkey today marketing cooperatives have been formed for a number of agricultural commodities. At present there are 578 agricultural marketing cooperatives. The real work of cooperative marketing, however, is done by the agricultural marketing cooperative unions, which are formed by the affiliation of three or more societies. There are now 31 cooperative unions under an apex organization dealing with the internal and external markets. Their main fields of activity are in handling figs, raisins, cotton, hazelnuts, olives, olive oil, tobacco, oil seeds, fresh fruit and vegetables and mohair.

The purposes of these organizations are:

- 1) To ensure a continuous marketing possibility for the products of their members
- 2) To process these products and sell them in finished form whenever possible

- 3) To eliminate the middlemen's excessive margin of profit and to secure a reasonable margin for the member producers
- 4) To play a regulatory role in the market in order to minimize abnormal market fluctuations, and to sell the products at reasonable prices
- 5) To improve the standardization of agricultural products
- 6) To purchase in bulk the tools and implements, seeds and other inputs needed by the members at lowest possible prices and to sell to the members at lower than the market price.

Cooperative marketing is particularly important for exported agricultural products. Currently Turkey produces at competitive prices high-quality fruits and vegetables which are in great demand in Europe and elsewhere. To take advantage of this situation, greatly improved marketing is required. In the last few years this great demand also caused Turkish farmers to come together in marketing cooperatives to make them an important influence in the market, and this objective can be achieved through marketing cooperatives. Because most of the agricultural products are perishable, it is necessary to set up facilities for their rapid marketing. Facilities needed in this field are beyond the possibilities of the individual agricultural units. Cooperatives

in Turkey are providing the opportunity for adequate facilities to farmers so as to insure efficiency in their economic activities.

Relationship of Government to Cooperatives

CONTROL

In Turkey the Ministry of Commerce has the authority to give permission to set up cooperatives, and to control the statutes of the cooperatives. This authority has been given to that ministry by the Cooperative Law. In Turkey the greatest number of agricultural marketing cooperatives and their unions are set up according to a special law. These marketing cooperatives and their unions are under the control of the Ministry of Commerce and the Agricultural Bank.

These marketing cooperatives and their unions are audited by the Ministry of Commerce and the bank cooperative auditors. Audit is periodical. It is done regularly, usually once a year. Inspections are occasional. While audit and inspection are statutory duties of the government department concerned, supervision is a non-statutory function.

FINANCE

The Agricultural Bank provides the agricultural sales' cooperatives and their unions with monetary advances to be refunded after the sale of their products; loan accounts for the same purpose; revolving funds for meeting the production costs; installation credits for the erection of factories, warehouses and other similar facilities; materials in kind for packing the products; spare-part requirements of the factories and the members' needs of fertilizer, pesticide and other production needs; material and basic essentials and credits for the above purpose; participation credits for enabling the members to buy shares in the aforesaid enterprises; trusteeship credits for the handling of the products and for facilitating the exportation and domestic use of the produce; and guarantee letters for backing up their long range commitments. Furthermore, in accordance with Para. 17 c of Law No. 2834, support credits are likewise granted to finance the market regulation purchases upon instructions of the Government. To do this work funds are released by the Government for that purpose.

PRIVILEGES

In Turkey there is a special law which provides certain exemptions and immunities for the marketing cooperatives and their unions.

- 1) The agricultural marketing cooperatives and their unions are exempt from most taxes.

- 2) All the procedural, administrative and other documents relating to cooperatives are exempt from stamp duties, registration and Notary Public charges.

GOVERNMENT MARKETING SCHEMES

Most sales cooperatives unions are responsible for operating government price support schemes, using money from the Central Bank via the Agricultural Bank. This is an added duty of the sale cooperatives unions, but is a very necessary activity. It assures cooperative members a fair return.

Today the Turkish Government takes an active part in the promotion of the marketing cooperatives, supporting them financially and technically. Furthermore, steps are being taken to enable these cooperatives to become self-governed and in time financially self-sufficient.

Major Problems

IMPEDIMENTS TO PROGRESS

The present system of agricultural marketing in the country generally is caused by the multiplicity of middlemen and agencies operating. Because they have bargaining power and wide knowledge of market conditions, they are powerful. Arbitrary charges are levied in the market, and deductions are made for various reasons. Many small individual units fail to exercise an influence over the market, because they act without informing one another of the market conditions, and of market information. Therefore, it is necessary that the producers' organizations should be established with a view to facilitating and even undertaking the marketing and processing of agricultural products.

ORDERLY MARKETING

The aim of agricultural marketing cooperatives is to provide many marketing facilities to farmers to insure efficiency in their economic activities. These societies can contribute by facilitating marketing operations through the provision of basic services such as harvesting, grading, standardization, sorting, transporting, processing, storing, distributing, gathering market information, and providing credit. Marketing cooperatives in Turkey provide the opportunity for adequate facilities.

MANAGEMENT

It is a fact that a good manager is one of the essential factors of the success of a cooperative. Management is the art of directing the activities of a group of people towards an agreed objective. To manage is to plan, organize, direct, coordinate, control and motivate the efforts of a group of individuals towards the achievement of the objectives effectively and economically.

Within the policy laid down by the board of directors, the activities of the cooperatives, particularly insofar as trading activities are concerned, to meet the objectives should be attained in the most economical manner, with maximum returns to all the members concerned.

Proposed Steps Needed to Solve Problems and Increase Effectiveness of Cooperatives

STRUCTURAL CHANGES NEEDED IN COOPERATIVES

In Turkey most of the marketing cooperatives and their unions are administered by the Ministry of Commerce and are under the general supervision of the Agricultural Bank. These cooperatives are set up according to a special law. Each cooperative or union may select their own local employees, except the managing director of primary cooperatives and general managers of the union-cooperative. Manager directors are assigned to the local cooperatives, but must be approved by the Ministry of Commerce; general managers of the unions of cooperatives are assigned directly by the Ministry of Commerce. The reason for this is that these marketing cooperatives, and their unions, obtain all their credit requirements from the state banks. This is a big impediment to the progress of marketing cooperatives in Turkey. In this connection, it is necessary to change the structure of the cooperatives to enable the agricultural cooperatives to become self-governing, and financially self-sufficient.

MANAGEMENT IMPROVEMENT

Cooperatives are business organizations and

have to operate less expensively and to return to members more profit and good services. Managers should come from within the cooperative system, or elsewhere, preferably outside of government. In Turkey management quality needs improvement, and the concept of a manager's duties needs widening. Better selection, training and compensation are all necessary, and there must be a change of attitude away from that of the government official and towards a commercial outlook.

FINANCING

Marketing also requires considerable finance. There must be some increase of owned funds, partly to increase the personal involvement of members whose loyalty must also be increased by education. There may also be a need for enforceable contractual obligation, especially as part of any loan agreement with members. But there will also be a need for extra loan funds, which should be made available to cooperatives which have proven their ability in a small way and are selected for expansion. Such funds should be provided under a plan for their ultimate withdrawal and replacement by owned funds, built up by the members. In order to achieve sufficient funds for the vast investment necessary for agriculture, commercial sources of money must be tapped.

Marketing cooperatives, possibly in a federation, should undertake research both to discover market opportunities and better methods and to insure the production of better and more saleable crops.



Participants listen attentively to speeches in Ankara.

**FIRST
DAY
PAPERS:**

**MARKETING
COOPERATIVES
IN
ACTION**

MARKETING COOPERATIVES IN ACTION IN EAST PAKISTAN

by
Shamsul Huq

THE COOPERATIVE MOVEMENT in the Indo-Pakistan sub-continent started with the enactment of the Cooperative Societies Act of 1904. The farmers were small and they required credit for their agricultural operations. The commercial banks would not advance any loans to them as they could not offer any tangible security. They had, therefore, no alternative but to go to the village moneylender, who would charge an exorbitant rate of interest. Sometimes such rate would go up to 150 percent. Formation of village coop credit societies was the answer. So a network of such societies was formed and federated with central coop banks at a secondary level with an apex provincial bank for the entire province of Bengal (now called East Pakistan). Credit position eased, but still the farmers were exploited by the traders. The farmers did not have any holding power. They had to sell their production *immediately* after harvest to repay their loans and to meet other expenses. They could not take their production to the wholesale market place as their marketable surplus was small and transport was costly. They had to depend upon the mercy of the middlemen. Sometimes the moneylender and the trader combined in one person, and then he was even more dangerous for the farmers. Again a farmers' coop for marketing of his production was the answer. Jute is the

main cash crop of the province and the farmer's prosperity depends upon the price he gets for his jute. A serious attempt was made in the twenties to bring the jute under the cooperative fold. A network of cooperative jute sale and supply societies was organized. Private jute trade is very strongly organized. The cooperative jute sale and supply societies could not face the competition of private trade strongly supported by vested interest and the coop sale and supply societies met a colossal failure. A few rice processing mills were set up here and there, but they were local in nature and had limited activities.

Then came Independence in 1947, and a few central multipurpose societies with an apex jute marketing society were organized to take up the marketing of jute, but this time, also because of lack of adequate funds and opposition from vested interests the project could not succeed. It was recognized that supply of production credit to the farmers was not sufficient to solve their problems. They had to be given: a) seeds, fertilizer and irrigation facilities, and b) marketing facilities for their surplus production at a fair price.

With the above objectives the coop structures were reorganized.

- 1) The primary village credit societies were amalgamated and 4,000 union (a group of village) multipurpose societies were or-

ganized. These societies were to supply:
a) credit, b) seeds, fertilizer and water,
c) marketing facilities for the members' production.

- 2) The above primary societies were federated into: a) the Central Coop Bank for credit, and b) the Central Multipurpose Society for supply and marketing.
- 3) The central banks federated into another higher bank, namely the East Pakistan Provincial Coop Bank for credit, but no provincial marketing society was organized. Experience shows that the primary multipurpose societies by and large were simply credit and supply societies, but did very little towards marketing of members' production, mainly for want of adequate funds and godown, i.e. storage facilities. Hence the farmers' condition did not improve much. Government was convinced that the farmers' economic condition would have to be improved. They were producing food for the nation and also producing raw material for national industries, and on their improvement depended national improvement. Various agencies for such improvement were set up, and coops were recognized as one of those agencies for the improvement of economic conditions for the farmers and other small artisans.

The movement therefore approached Government with a scheme for financial and other help to build up a strong marketing structure for the ultimate benefit of the farmers and other small artisans. The scheme was accepted for implementation during the Second Five-Year Plan which started in July 1960. As per the scheme, the Provincial Marketing Society was organized in 1962 and development of central multipurpose societies and union multipurpose societies was taken up on a phased basis. During the Second and Third Five-Year Plans 47 central cooperative multipurpose societies out of 89 such societies, and 930 such union multipurpose societies out of 4,000 societies have been developed under these plans. The process will go on during the next five-year plans until all the existing societies are developed.

Under the scheme the union multipurpose societies, the central multipurpose societies and the Provincial Marketing Society have been given the following financial support by the Government:

- 1) Shares have been purchased by Government. These shares will be retired as soon

as the coops are in a position to purchase them.

- 2) Long term loans have been granted to these societies. Repayment starts after five years from the date the loan is sanctioned and repayment may be made by 15 annual installments.
- 3) Grants have been given for construction of godowns.
- 4) Grants have been given to meet a portion of the staff cost for five years.

Now primary union societies, with the little capital they had, supplemented by government loans, are purchasing members' production but they have not shown good results, mainly due to managerial deficiencies. These are very small societies and as such they cannot employ a good manager. These managers are appointed from outside and after they are given some training in the Cooperative Training Institute in book-keeping and accounts and other allied subjects, they are put into jobs, but due to lack of sufficient experience they cannot compete with private trades. The probable solution is that in future these societies will have to be employed only as collection agents for the secondary level societies.

The secondary level marketing societies have been set up at the market place. They have godown arrangements also. They are to purchase members' production through primary societies, grade them and store them for disposal when the market rate is favorable. But sometimes they also purchase from the market from outsiders in order to make a profit, which they should not do. Junior cooperative officers with a few years' experience and having business abilities are deputed to work as managers of these societies. During the time they work in the society they are under the control of the board of directors of the society. But, because the officers are liable to be transferred, continuity of policy is disturbed. It may be mentioned that only the manager is from government service, all other employees are recruited from outside by the board of directors.

It is necessary that these societies become stronger so that they can be viable marketing societies with small processing plants and more technical staff for grading and processing.

The Provincial Marketing Society performs the following functions:

- 1) It owns a few rice, mustard seed and pulse processing mills in surplus areas. It collects rice, mustard seed and pulses through coop societies and processes them in its mills and sells them through coop stores of deficit areas.

- 2) It owns two milk processing plants. It processes milk into butter, powdered milk and baby food, and also pasteurizes milk and supplies this to city consumers and also in industrial areas where those articles have great demand.
- 3) It arranges disposal of rice and other agricultural produce purchased by the central multipurpose societies when they cannot sell the same at a reasonable profit.
- 4) It has set up five cold storage plants for preservation of potatoes which is an important item of agricultural production. The society hopes to export potatoes to the Middle East countries and also Indonesia and Malaysia in the future, and exploratory discussion has already started.
- 5) It imports corrugated sheet iron, coconut oil and other edible oils for distribution through coop stores throughout the province.

In coming years it will set up ground nut processing plants and also ginger processing plants, and a few more rice processing plants.

All the staff officers of the society -- except the secretary and the chief administrative officer -- are recruited from the trade and commercial houses with adequate experience. The secretary is a senior officer from the Coop Department on deputation. The chief administrative officer is recruited from one of the topmost and most experienced officers of the department on deputation with a fixed tenure of service.

Besides the above-mentioned societies which deal with agricultural commodities in general, a few more societies have been set up on a commodity basis to look after their special needs. These are as follows:

- 1) Sugarcane Growers' Cooperatives: 227 sugarcane growers' primary societies with an apex society have been organized. The primary societies advance loans to their members and arrange collection of their

sugarcane for the sugar mills. The apex society arranges funds for the primary societies and also coordinates in the matter of fixation of sugarcane prices with authorities of the sugar mills for the benefit of the growers.

- 2) Fishermen's Cooperatives: The poor fishermen are always exploited by the middlemen in selling their catches. They have now been organized into cooperatives. So far 742 primary societies with an apex society have been set up. The members of the primary societies have been able to mobilize their small savings to the extent of two and a half million rupees. The apex society has imported 500 marine diesel engines for mechanization of members' fishing boats. It has also set up four ice plants for preservation of members' fish. For sea fishing the society has purchased a trawler. The society has also earned two hundred and forty thousand rupees this year by exporting fish to foreign countries.

In addition to the above societies, there are many other marketing societies for different groups of people. They are betel leaf growers' societies, vegetable growers' societies, banana growers' societies. There are many other societies for marketing of finished products of cottage workers. So far so good. With increased managerial efficiency other marketing societies will be able to ensure a fair price for the produce of farmers and others.

But it's a pity that though jute is the main cash crop of East Pakistan it could not yet be brought under the fold of the cooperatives. During the last 50 years attempts have been made to organize the jute growers into cooperatives, but each of the attempts failed because the movement could not stand the competition from private traders supported by vested interests. If jute can't be brought under the cooperative fold, then the idea of giving the jute growers a fair price for their produce may be a long way from realization.

COOPERATIVE MARKETING IN WEST PAKISTAN

by
Manzoor Ahmed Malik

COOPERATIVE MARKETING had a full-blast beginning in the twenties. However, as time rolled on, more and more experience was gained, and new forms of marketing societies with appropriate changes in structure, working and purpose were evolved to suit changing conditions. Presently, the different forms of cooperative societies performing one or another marketing function are:

- 1) Cooperative Commission Shop
- 2) Cooperative Sale Societies
- 3) Multipurpose Societies
- 4) Development Societies, Agricultural Marketing and Supply Societies
- 5) Farm Service Centre and Service Societies
- 6) Cooperative Farming Societies
- 7) Cooperative Sugarcane Societies and the Association
- 8) Fruit Marketing Societies and the Frontier Marketing Federation
- 9) Fishermen's Cooperative Societies.

The first seven forms of societies handle food and fibre. They are mainly in the northern zone of West Pakistan. Number eight, as the name shows, handles fruits. They are located in the illustrious valley of Peshawar, known for horticultural products. Number nine, namely fishermen's societies, different as these are, operate along the Arabian Sea coastline, and are the youngest of the three major types of societies classified on a commodity basis.

We now look briefly at the principal forms of marketing societies. The Cooperative Commission Shop and the Sale Society are pre-Independence

organizations. The former is the pioneer marketing society. It is a reminder of the time when the moneylender had a hold in the village as well as in the market. One contemporary report of the 1920's claims that moneylending was the second best profession after agriculture. According to another, one out of every four income taxpayers was a village moneylender who combined money-lending with the marketing of agricultural produce.

The Cooperative Shop grouped together the small farmers and arranged for sale of produce on commission. It was a simple grassroots organization at mandi level, but provided a first foothold to the farmer (cooperatively) in the marketing mechanism. Among other services, it was possible for him to store his produce with the shop, and, if necessary, receive an advance against its security. Cooperative sale societies benefit the big farmer. A minimum holding is a pre-condition of membership. This society helped pioneer present day large-scale commercial farming. Supplies of improved seeds, etc., were ensured, and grading of produce made possible. And, above all, sample sales were introduced, whereby it was not necessary for the farmer to take his produce to the market. The sample is produced before the buyers' meeting at a pre-determined time and place; bids are offered in auction and the bargain is struck on the basis of the sample.

The multipurpose society for the first time introduced processing in cooperative marketing. This society saved a serious situation after partition when the entire marketing structure had collapsed.

The Development Society, the Agricultural Marketing and Supply Society, the Farm Service Centre and service societies are different versions of plans intended: 1) to strengthen credit, and 2) to strengthen marketing under the scheme of reconstruction of rural credit and agricultural marketing in the First, Second and Third Five-Year Plans. The central theme of the plans was increased agricultural production. The cooperatives were (among other things) allowed the monopoly in fertilizer distribution for some time to help achieve the objective. The distribution was routed through 2,500 service units scattered more or less evenly through the length and breadth of West Pakistan.

The development societies were to act as village collection centres for agricultural produce along with increased credit outflow. The agricultural marketing and supplies societies are federal societies serving these purposes. Funds were allocated by the Government: a) for share capitalization, b) for godown construction, c) for training of secretary/manager, and secondary level societies, thereby providing a better link-up of credit with marketing.

The Farm Service Centre programme of the Third Plan is a summation and a revision of the previous plans: a) to coordinate the activities of service societies to improve procurement and distribution of fertilizers and seeds, etc. b) to assist introduction of mechanized agriculture among small farmers by introducing such services as repair and overhaul of tractors, plus supply of tractors on hire; c) to set up mechanical workshops, and finally d) to assist in establishing processing units owned and controlled by small farmers.

Table 1 shows the numerical strength of the centres. The Farm Service Centre programme is still in the making, and shows promise of things

TABLE 1

<i>Farm Service Centres</i>	<i>Progress as on 31 December 1969</i>
Number	12
Membership (societies)	538
Working Capital (in lakhs)	Rs. 20.64
Owned funds (in lakhs)	Rs. 12.23
Business volume (in lakhs)	Rs. 28.73

TABLE 2

	Number of Societies		Number of Members		Working Capital		Business Volume	
	1965	1969	1965	1969	1965	1969	1965	1969
1) Cooperative commission shops and sale societies	63	69	13,598	16,341	Rs. 29	65	13	42
2) Development societies and agricultural marketing and supply societies	538	642	57,221	64,570	Rs. 197	239	40	67
3) Sugarcane societies/ The Frontier Association and Marketing Federation (handling fruits, etc.)	606	594	23,387	26,114	Rs. 2	16	N.A.	16
4) Fishermen's cooperative Societies	10	10	4,162	4,561	Rs. 87	124	94	573
TOTAL	1,217	1,315	98,368	111,586	315	444	147	698
Difference (percent)		8		13		40		408
Average per society (in respect to No. 1)			237		3] 94		3] 61	

to come. Table 2 gives numerical data on the operations of major marketing cooperatives. Outstanding performance goes only to fishermen's societies.

Cooperative farming societies are in a class by themselves. Besides supplying agricultural inputs, including agricultural machinery, tube-well irrigation and community services, like schools, dispensaries, roads, godowns and tree plantation, the societies manage the collective marketing of agricultural produce through auction in the village. The same can be said of the cooperative sugarcane societies. The latter were set up around mills, mainly in Peshawar Valley, on the one hand, to increase the bargaining power of the producer, on the other, to regulate mill supplies. As in other societies, the basis of business operations is commission.

As for government relations vis-à-vis cooperative marketing, most important are year-to-year developmental grants received under the plans, over and above normal budget provisions. The story of government support to the cooperative cause is a continuous thread covering half a century. Of course there were reservations in due regard to government commitments in other sectors. The yardstick applied to measuring the grants to administrative departments is inept and in fact unsuited to a movement. It is not the movement but each purposeful cooperative society that has to be planned and built up.

The difficulties for cooperative marketing can be enumerated as follows:

- 1) *Small membership in the marketing societies.* The coverage is in most cases moderate and a sense of loyalty in the existing membership has not developed.
- 2) *Indifferent managing committees.* These committees are, in most cases, indifferent to the affairs of the society, and it is frequently found that members of the committee have interests adverse to those of the society.
- 3) *Inefficient management* due to the employment of persons of insufficient experience and doubtful character.
- 4) *Lack of competitive power* in comparison with private dealers who are often able to tender better services, especially in respect to credit. The business volume is often so small that societies are incurring operational losses.
- 5) *Lack of apex and processing units* which can support the operations of primary marketing units, and which can influence the mandi price levels.

6) *Lack of coordination* of marketing supply and credit.

7) *Lack of business advice* and support from the Cooperative Department.

Management is an essential function for any large or small business. And in its modern sense, the first six points are simply management faults, failures or deficiencies. Points one to three deal with persons responsible for management, four to six, with their activities or functions. We examine these points more closely when we proceed with the workshop. The seventh point is that of lack of business advice and support from the Cooperative Department. It is rather a subtle point but nonetheless important. Two points may be stated: 1) the cooperative staff is (even to this day) credit oriented, 2) there is no separate staff earmarked for marketing. The general staff (as it is) has neither the competency of the average inspector nor the time to advise and guide a modern business enterprise.

There are some bright spots. There are some success stories. But this is not the end-all. According to a Third Plan statement: a) cooperatives combine freedom and economic opportunity for the weaker and poorer segments of the society with advantages of large-scale organization and management, b) cooperatives distribute the fruits of growing economic activities over a wide section of the population and reduce the imbalance in the distribution of wealth.

Are we going to build up a happier and a prosperous social order with current performance? After all, the current business volume of cooperative marketing is a paltry seven to eight crores. There may be a few big cooperatives. But can we afford the luxury of those that are inefficient in performance and ineffective in purpose?

In the Fourth Plan, heavier responsibilities fall on us. In the twenties, the challenge was the moneylender; in the seventies, it is big business and concentration of wealth. The recent past has already witnessed unforeseen restlessness on these issues.

Cooperatives are businesses. And present day business atmosphere is surcharged with competition. There is no compassion, they say, in today's business competition — business is a series of power struggles, competitive strategies, and hard-headed financial gains based on outperforming rival firms. Our future cooperative business (at least) must be on its tiptoes. I do hope the present workshop (which is the first of its kind) will be setting a pace for the future.

PRESENT STATUS OF COOPERATIVE SOCIETIES IN IRAN

by
Mansour Emami

THE COOPERATIVE MOVEMENT of Iran enjoys the full support of His Imperial Majesty, the Shahenshah Aryamehr and the Government. Since some years ago a wide-scale campaign has been initiated for cooperative systems in all aspects of people's lives, particularly in the rural regions. Generally speaking, the Government's activities in support of the cooperative movement may be described as follows:

- 1) Formation of organizations for guidance and orientation of cooperative societies
- 2) Formulation of new laws and regulations for cooperative societies
- 3) Training centres for education of cooperative staff
- 4) Formation of the Agricultural Cooperative Bank to facilitate distribution of credits, for cooperative societies at low interest rates.

FORMATION OF ORGANIZATIONS FOR GUIDANCE AND ORIENTATION OF COOPERATIVE SOCIETIES

Central Organization of Rural Cooperatives

In conjunction with the implementation of progressive programmes for land reforms in Iran, the CORC was set up in the first half of 1342 (1963) with the following aims and objectives:

- a) Introduce cooperative systems in rural areas

- b) Train cooperative staff and orientate farmers with the principles and systems of cooperatives
- c) Conduct market research for sale of products of cooperative members
- d) Grant loans to cooperative societies and unions.

The above organization, which is subordinate to the Ministry of Land Reforms and Rural Cooperatives, has an extensive network in Tehran and the provinces. It is administered by a board of managers, and the chairman of the board functions as the managing director as well. The managing director supervises such departments as technical services training, commercial services, and credit. To date a total of 1,320 supervisors and their assistants cooperate with the farmers for the proper administration of the societies.

During the last six and one-half years the CORC has succeeded in setting up 6,501 cooperative societies and 180 cooperative unions in the various parts of the country with a membership of 963,821 farmers and 7,635 cooperative societies respectively. According to the statutes these societies are functioning as a multipurpose system, their most important function being to grant credit activities. In addition to granting loans to farmer members, these societies distribute chemical fertilizers, poisons for fighting plant pests, wheat seeds, etc. In most societies farmers

are assisted in sinking deep wells and semi-deep wells. Most societies have also set up stores for supplying consumer goods to the farmers.

The latest report on the activities of the CORC is attached herewith for the further information of participants in the workshop.

Training Cooperative Staff and Orientation of Farmers with the Principles and Systems of Cooperatives

The CORC, which is well aware of the important role of cooperative training in consolidating the cooperative movement, takes the following measures each year: during the past year (1969-70) 240 graduates of secondary schools were selected for training in Pahlavi University of Shiraz, Tehran University, the Teachers' Training College and the Literacy Corps. These young men are the prospective supervisors of the cooperative societies.

The CORC also initiated the training of professional managing directors for cooperative societies with the cooperation of the Imperial Army. The procedure is such that a group of village youths who are drafted for military service are selected for a three-month training period in cooperatives. They then perform the rest of their military service in rural cooperative societies. Training courses are set up every year in the various provincial towns for teaching office routine, commerce and cooperative accounting systems to managing directors. For instance, last year (21st March 1969-20th March 1970) 35 training courses, each lasting one month with an attendance of 997 people were set up in the provincial towns.

Selection and despatch of certain managing directors of cooperative unions to the commercial college, and the despatch of a mobile cinema to the villages as well as the broadcasting of special programmes from Radio Iran could also be enumerated among training activities of the CORC.

Commercial Activities

An important programme of the CORC is the purchase of farmers' produce and their sale in local and foreign markets. We are now faced with numerous difficulties in marketing agricultural products, but hope that the organization of CENCO in Pakistan and Iran will help the development of marketing projects of these areas, particularly the agricultural produce of Iran.

In general, the rural cooperative unions purchase rice, cereals, saffron, fruits, vegetables, dates and raisins from farmers and forward them

to market places. The most important items, according to separate statistics, are rice and cereals, the value of which amounted to a total of 454,000,000 rials during last year.

Meanwhile since some years ago, the cooperative societies have been commissioned by the Government to collect the wheat and barley produce of farmers. During the year under review the surplus wheat produce of the society members sold to the Grain Department amounted to 3,769 tons.

As already mentioned, the cooperative societies also assist the farmers in the supply and distribution of consumer goods. The most important service rendered in this connection was the distribution of oil products in rural areas by cooperative societies. During 1347 (1968-69) about 25 million litres of oil products were distributed by the cooperative societies with the cooperation of the National Iranian Oil Company. As a result of this measure, oil products were made available to villagers in remote village and oil burning facilities such as lamps and oil heaters became popular in villages.

Grant of Loans to Cooperative Societies

The grant of loans to rural cooperative societies was among the basic functions of the CORC up to the end of last year. With the introduction of certain amendments in the statutes of the Agricultural Bank of Iran, the grant of loans to cooperative societies and other farmers, who have not yet acquired their membership, was also included among the functions of the bank. However, according to the new statutes, loans and credits issued by the bank to farmers are effected under the supervision and guidance of cooperative area supervisors who report to the CORC. The latest figures relevant to these loans are shown in the attached tables.

THE CENTRAL ORGANIZATION OF COOPERATIVES

This organization was established in the middle of 1346 (1967) on the orders of His Imperial Majesty, the Shahenshah Aryamehr. It is now devoting most of its efforts to translation and publication of books on cooperatives.

FORMULATION OF NEW RULES AND REGULATIONS FOR COOPERATIVE SOCIETIES

The progress and development of the cooperative movement necessitated the revision of the laws dealing with cooperative societies. The CORC has, therefore, compiled a collection of rules and regulations dealing with cooperative societies and has submitted the same to Parlia-

ment. This collection is now under discussion by the Houses of Parliament.

TRAINING CENTRES FOR TRAINING COOPERATIVE CADRE

In this connection we could mention the Training and Research Institute at Tehran University, and the Cooperative Research Centre at Pahlavi University. Moreover, since some years ago the subject of cooperatives has been included in the university course.

ESTABLISHMENT OF THE AGRICULTURAL COOPERATIVE BANK

As already mentioned, up to the beginning of last year the CORC was charged with the task of issuing loans and credits to cooperative societies. The Agricultural Bank issued loans and credits to cooperative societies which were not members of the unions. The representatives of government shareholders in the former Agricultural Bank were the Ministers of Finance and Agriculture. However, with the introduction of certain amendments in the bank's statutes, the bank's name was changed to Agricultural Cooperative Bank, and the Minister of Land Reforms and Rural Cooperatives was appointed as the representative of government shareholders in the bank.

CORC PUBLICATION

Since four years ago the cooperative publication entitled "Taavon Iran" has been published with the financial contribution of cooperative societies and unions, paid in the form of subscription fees. The aim of the publication is to keep managing directors, members of the board, and cooperative supervisors throughout the country well informed of the cooperative events and developments in Iran and the rest of the world. This publication has at present a circulation of 17,000 copies. As a result of the efforts made for the publication of this periodical during the past four years, a permanent connection has been created between the

CORC, which is the guiding centre of rural cooperatives, and the cooperative societies in the remotest parts of the country.

OTHER TYPES OF COOPERATIVES

In Iran, the cooperative movement has expanded in other fields as well. At the time of writing, cooperative societies have been set up for consumption, and credits and housing in most parts of the country, but they are not yet as fully developed as the rural cooperative societies.

TABLE 1
AGRICULTURAL PRODUCTS PURCHASED
AND SOLD DURING THE FIRST ELEVEN MONTHS
OF THE YEAR 1348 (MARCH 1969-
FEBRUARY 1970)

<u>Product</u>	<u>Quantity</u>
1. Rice	13,065,344 kilos
2. Grains	5,351,863 "
3. Wheat	3,759,381 "
4. Various types of fruits and vegetables	1,737,794 "
5. Lime juice	28,493 bottles
6. Casing	1,032 kilos
7. Wool	26,108 "
8. Grass and vegetable seed	1,354 "
9. Cheese	14,052 "
10. Ghee	14,008 "
11. Tomato sauce	387 "
12. Dates	69,118 "
13. Whey	1,660 "
14. Gum tragacanth	2,107 "
15. Pickles	600 tens
16. Lime cultivated in Oman	27,074 kilos
17. Cereals	279,107 "
18. Raisins	25,328 "
19. Pomegranate juice	400 kilos
20. Saffron	80 "
21. Cedrate preserve	227 "

TABLE 2
STATISTICS OF RURAL COOPERATIVE UNIONS AND
SOCIETIES OF IRAN IN BAHMAN 1348 (January-February 1970)

1. Total number of rural cooperative societies	8,501
2. Total membership of rural cooperative societies	1,423,222
3. Amount of capital of rural cooperative societies	1,945,126,100 Rls.
4. Amount of legal reserves of rural cooperative societies	396,464,119 "
5. Number of villages in the area of operation of rural cooperative societies	24,431
6. Number of rural cooperative unions	108
7. Number of societies which are members of the cooperative union	7,635
8. Amount of capital of rural cooperative unions	585,000,000 Rls.

MARKETING COOPERATIVES IN ACTION IN TURKEY

by
Rifat Unaydin

THE MARKETING COOPERATIVE has been of very great importance in many countries, especially in agricultural districts where farming is based on small units, thus making marketing a problem. As you are aware, agriculture in Turkey is characterized as an agricultural economy of small unit operation.

In Turkey agricultural operations, the ratio of units under 100 decares to the total number of units is 80-85 percent. It is therefore evident that unless joint marketing occurs, these units are deprived of the capital needed to increase productivity and enlarge the economy. Marketing cooperatives seem to be an answer to this problem for Turkey, and other countries with similar conditions.

Turkish climate and soil conditions are suitable for growing a great variety of crops — some of these crops are concentrated in certain regions of the country, but most of them are grown in all areas. Of these, the production of fruits, vegetables and certain animal products are showing rapid development. Yet most of these products are perishable, and it is therefore necessary to set up facilities for their rapid marketing, processing, bulk storing or exporting.

The establishment of the facilities needed in this field is beyond the possibilities of the individual agricultural units. Cooperatives in Turkey are providing the opportunity for adequate facilities.

Owing to its very nature, agricultural production registers seasonal and yearly fluctuations.

In addition, the individual units fail to exercise an influence over the market. Because they act without informing one another, the market conditions in Turkey often follow a trend contrary to the interests of the growers. Turkish marketing cooperatives are attempting to give the producers some market control.

All these facts make it imperative for Turkish farmers to cooperate. Furthermore, the coming together of Turkish farmers in marketing cooperatives makes them an important influence in matters relating to the implementation of the price, credit and subsidy policies adopted by the Government for the promotion of the agricultural sector.

The first agricultural cooperative movement was started in Turkey in 1863. The origin of the marketing or sales cooperatives was by a law established in 1935. The agricultural credit and marketing cooperatives are closely regulated and related by law. Members of the agricultural credit cooperatives growing the same crops may form sales cooperatives. Sales cooperatives of the same crop form unions, (associations) in each region for processing, bulk storage and exporting. Both sales cooperatives and their unions are administered by the Ministry of Commerce, and are under the general supervision of the Agricultural Bank which is administered by the Ministry of Commerce. Like credit cooperatives, their funds generate through their own capital reserves and credit obtained from the Agricultural Bank.

FUNCTIONS OF MARKETING COOPERATIVES

A minimum of three primary level cooperatives of the same commodity in the same area may form a group and thus pool their activities. It then becomes a cooperative union (a secondary level society). When crops are harvested, members deliver them to a cooperative and get 70-80 percent of the market value. The law requires the shareholders of a credit cooperative to join the sales cooperative in their district. If the producer has borrowed money from a credit cooperative the sales cooperative pays the loan from the proceeds of the producer's sales. In this circumstance, there is a good link between credit supply and marketing organizations.

Marketing cooperatives have been formed for a number of agricultural commodities. The real work of cooperative marketing, however, is done by the agricultural marketing cooperative unions, which are formed by affiliation of three or more societies. There are now 31 of them. They depend heavily on the Agricultural Bank for their financial needs and are generally guided by the Ministry of Commerce. The Agricultural Bank may lend to the unions but may not lend to the local cooperatives. In general the unions are moderately efficient on the technical side in regard to processing commodities. At the present time there are 578 marketing cooperatives. Their main fields of activity are in handling figs, raisins, cotton, hazelnuts, olives, olive oil, tobacco, oil seeds, fresh fruit, vegetables and mohair. In 1961 there were only 251 marketing cooperatives. Since then this number has been increased to 578.

The main purposes of these marketing cooperatives are:

- 1) To ensure a continuous marketing possibility for the products of their members
- 2) To process these products and sell them in finished form whenever possible
- 3) To eliminate the middlemen's margin for the member producers, both within and without the country
- 4) To play a regulatory role in the market, to stop harmful market fluctuations and to sell the products at a reasonable price
- 5) To seek standardization of the products
- 6) To purchase the tools and implements needed by the members at the lowest possible price, and sell these to the members at less than market price.

Most of the cooperatives and their unions have up-to-date installations for the handling of their crops. For instance, the cotton cooperative group

in Southern Turkey have the best ginning (roller and saw) and compressing mills in the area. They have storage for large stocks. They have a well organized sales and purchasing department. They are in a position to make the best bargains possible. They help to avoid sudden and abnormal fluctuations in prices of commodities, raw and processed. Besides marketing, these organizations provide materials such as quality seeds, fertilizers, insecticides and machinery to their members at reasonable prices.

Most marketing cooperatives are responsible for operating government price support schemes, using money from the Central Bank via the Agricultural Bank. This is an added duty of the cooperatives, but it is a very necessary activity. It assures cooperative members a fair return.

There is a special law which provides certain exemptions and immunities for the marketing cooperatives and their unions:

- 1) The agricultural marketing cooperatives and their unions are exempt from most taxes, and
- 2) All the procedural, administrative and other documents relating to cooperatives are exempted from stamp duties, registration and Notary Public charges.

Turkish marketing cooperatives structurally are not real cooperatives, because they are not totally self-governed. It is necessary that the Government take measures to enable these cooperatives to become self-governed and in time, financially self-sufficient. Steps are being taken in this direction.

The Turkish Government is assisting in the development of the cooperative movement by familiarizing the people with the cooperative movement, by teaching them the concept behind the movement, by technically supervising the cooperatives, and by contributing its share towards the procurement of their needs. In the past two years progress in marketing has made a rapid advance. In the past two years a vertical and horizontal integration expansion program has been underway in the marketing cooperatives.

In 1969 a Marketing Federation of Cooperatives, which is an apex organization composed of commodity cooperatives, was organized.

- 1) It owns a cooperative wholesale market.
- 2) It owns a chain of self-service retail outlets.
- 3) It has salesmen to sell cooperative produced commodities to other retail outlets.
- 4) It exports cooperative produced commodities.
- 5) It imports agricultural inputs such as seeds, fertilizer, insecticides and equipment.

MARKETING COOPERATIVES IN ACTION

by
Matthew C. Wordsworth

CONDITIONS IN THE UNITED KINGDOM for farmers are so different from those in regional countries that it would not be much use talking about U.K. cooperatives. But it may be useful to talk about marketing problems in general and to illustrate some points from examples in the U.K. and elsewhere.

The process of agricultural marketing is what gets raw materials from the producer to the consumer. It gets cotton from a producer here to a girl who buys a miniskirt in London -- or rice from a country farmer to an urban family. In both cases there are middle links in a chain, complicated in the first example and simple in the second. But it is these middle links in the chain which can take all the profits from the grower unless he protects himself.

This chain from producer to consumer contains the varied activities of assembly, transport, storage, processing, wholesaling and retailing. Some of these activities (transport, for instance) take place several times for each commodity.

Fifty years ago there was a fashionable doctrine called "consumer supremacy." It was argued that, as all production is aimed at consumption and as everyone is a consumer but only some people are producers, consumers should control the whole chain. In some cases this does happen.

Consumer cooperatives do undertake production. The Cooperative Wholesale Society in England owns dairy farms there and tea plantations in Assam, for instance. But the doctrine has never really been convincing and the practice has not proved economic.

A more recent development has been an attempt either by suppliers of agricultural inputs, or by processors or wholesale or retail traders, to control both production and the middle links. In a few cases, such as in the poultry industry, supply firms have moved into production and have gone some way towards sale for consumption -- at least as far as wholesaling. This trend seems to have become less marked in recent years in the U.K., partly because the capital necessary for production was not easily available and partly because the firms concerned did not, in practice, have the necessary skills and energy to make production efficient.

In some cases inventions like vending machines have made it easier for individual producers to reach forward along the chain to the consumers. This has been done in the case of eggs and milk, but only on a small scale and it and other direct sales by producers are comparatively unimportant.

By far the largest producer control of some or

all of the middle links has been through marketing cooperatives. The main problem for such cooperatives has been how far to reach forward along the chain towards the consumer and in what processing and packaging business they should become involved. For instance, should cotton producers go beyond ginning and baling into export or spinning? Should they buy raw cotton from others to mix with their own? And so on. These are management decisions and they will be discussed on the second day and so will finance for them the next day. It has often been proved that the most important step for marketing cooperatives is to control the first links in the chain. These cover assemblage, perhaps grading and perhaps storage and transport to a competitive market. To get produce of the right kind and quantity to the right place at the right time is the essential. Even this requires quite considerable managerial skill and a lot of both short and long term finance. It has often been found that efficient staff, plus management for marketing, can also profitably handle the supply of inputs, as well as technical advice on growing, and can efficiently lend for growing and get its money back out of the proceeds of marketing. This thinking of marketing and production services is a pattern that makes sense, and also gives an economic use of managerial skills. Regional countries may, perhaps, take this up.

Cooperatives which undertake these first steps can operate with success under government

boards which may be set up to handle specific crops or produce. They can give sufficient economies over, for instance, transport to make this work economic. A background paper is included in this publication on how the Milk Marketing Board works in the U.K.*

Sometimes, and especially in the case of perishable produce, marketing cooperatives are forced by the stranglehold of middlemen over the market to go beyond the first steps and to put their produce into a form which is acceptable to the retail trade direct. This can be an expensive and complicated business, but it may be necessary. One fruit growers' cooperative in the U.K. which undertook this kind of business for its members found that, to keep its business going all the year round and to keep its customers regularly supplied, it had to go into the import business in seasons when its own produce was short. This is the kind of complication that may arise in such circumstances.

Even for perishables, this kind of business is complicated. But when one considers what goes on between the bale of cotton on the dock and the miniskirt on the girl, or even between the bale of tobacco and the cigarette, it will be realised how complex these middle links in the chain can be. One of the most important decisions for marketing cooperatives is to know where to say goodbye to their produce so that they may go back to produce some more.

* See Appendix I.

STATUS OF FARMER COOPERATIVES IN THE UNITED STATES

by
Ralph U. Battles

FARMERS' COOPERATIVES have had an important part in agricultural development in the United States. They have played an important part in the evolution of an orderly marketing system for agricultural products. Agricultural supply cooperatives have had an important part in establishing accurate fertilizer and feed formulas for farmers in the United States. Rural electric cooperatives and rural telephone cooperatives have contributed greatly to economic development and standard of living at the farm level.

The Cooperative Farm Credit System, under the supervision of the Farm Credit Administration, is the largest system of cooperatives in the world. It has probably contributed more to the agricultural development of the United States than any other single group of cooperatives. The Cooperative Farm Credit System, with its 12 federal land banks and 628 federal land bank associations, the 12 federal intermediate credit banks and 447 production credit associations, and the 13 banks for cooperatives, not only offers a complete credit service to farmers and their cooperatives, but has largely set the standards

through its competitive influence, on terms and conditions of loans made by other lenders.

The number of farmers' cooperatives in the United States and the total number of members has declined over the past several years. On the other hand, the average size of cooperatives and their total volume of business has increased. These trends reflect the consolidation of farms into fewer but larger farms, and the merger and consolidation of cooperatives in an attempt to match the efficiencies of their large-scale corporate competitors.

According to a recent count, there were 8,125 marketing, purchasing, and related service cooperatives in the United States, with a net volume of business amounting to 16.6 billion dollars, and with a membership of 6.5 million.

Of these totals, cooperatives whose main business is marketing accounted for 62 percent in number, 51 percent in number of members, and 78 percent of the total net business volume. In other words, more than three-fifths of all farmer cooperatives in the United States are primarily engaged in marketing, have about one-half of

the members, and do more than three-fourths of the volume of business of all farmer cooperatives.

In 1966-67, the percentages by major groups of agricultural commodities marketed through cooperatives were estimated as follows:

	<i>Percentage</i>
Dairy products	64
Grain	34
Fruits and vegetables	31
Cotton and cotton products	24
Livestock	12
Poultry	9
Other products	28

Cooperatives in the United States have become an increasingly important and accepted part of the business economy. This status of cooperatives has been reached largely because they have been

constantly alert and responsive to the members' needs.

The changing economy and the changing agriculture in the United States suggests strongly that farmers' marketing cooperatives will need to plan ahead to meet these changes. In actual practice, they will want to know what the impacts of these changing conditions are on the market possibilities for the various farm products they handle. This need for facts and forecasts requires research and planning with emphasis on interpretation and implications of the results.

In their cooperatives, farmers have a pace setting nucleus of marketing organizations. The challenge to cooperative members and cooperative leadership is to provide the guidance that will encourage all cooperatives to meet the changing conditions constructively.

**SECOND
DAY
PAPERS:**

**MANAGEMENT
OF
MARKETING
COOPERATIVES**

A COOPERATIVE MANAGER'S EXPERIENCES

by
Glenn H. Pogeler

I HAVE HAD the pleasant and sometimes trying experience of spending 32 years working for farmers' marketing cooperatives, 29 of those years as general manager of the cooperative. Back in 1932, the U.S.A. was in the midst of one of the worst depressions our nation had ever endured. The difficulties we faced and the lessons we learned then were to stay with us for a lifetime. The opportunity to learn the cooperative way of doing business in the 1930's was a rewarding challenge to me.

My belief in marketing cooperatives and in cooperatives in general was solidly implanted in me at that time. The desperate financial needs of the farmers during the depression did much to convince us of the need for individual farmers to band together to achieve bargaining power that they alone could never hope to attain. The critical needs of that period and the experiences gained were like a branding iron on our soul. I am convinced that a definite economic need is the best driving force needed to organize a cooperative. The statement that, "Money is the grease that makes the wheels go around," is certainly true. If a cooperative can pay a farmer more for his product as well as paying him a dividend at the end of the year, he can easily be sold on the benefits of cooperation.

I wish to emphasize that a marketing cooperative is a business institution. It must be organized, financed and managed as a business enterprise. Too often one or more of these elements are missing and the truth of the statement that, "A chain is no stronger than its weakest link," will soon become apparent.

Since the assigned subject has to do with management, this presents the opportunity to pass on to you some of my ideas of the basic requirements of a successful cooperative manager. He must:

- Be intelligent
- Be honest
- Have a strong constitution
- Have business training
- Have marketing training
- Have skill at public relations
- Be a good communicator
- Understand economics
- Be civic minded
- Have experience
- Have a missionary zeal
- Be humble

This list appears long, but other qualifications can be added. The items are not listed in order of importance. Each of us here would probably arrange the list in a different order according to

our own ideas. Some are self-explanatory, but further explanation is in order.

Intelligence — This is a must in the complicated business world. A man must be able to comprehend the things that pertain to the cooperative's business.

Honesty — There is no substitute for it. To be in business for very long you must be honest.

Strong constitution — To stand up to the responsibilities of the job and to meet the physical requirements you must be physically strong.

Business training — Today's complex business structure demands training in the job to be done. This is a never-ending process as long as you manage a cooperative.

Marketing training — Since many commodities need specialized attention you must be trained or have experience in that specific field.

Public relations — A manager is constantly in touch with his members and the general public and is his cooperative's key contact man. He must do this job well to be successful.

Communication — He should be able to communicate well, by the spoken and written word.

Understand economics — Today's business requires a knowledge and understanding of economics and how the modern business world operates.

Civic minded — The community around you is your best source of recommendation. Be a good citizen and the community will accept and support the cooperative.

Experience — Above all, to be a successful manager you must have and gain additional experience for the job to be done.

Missionary zeal — A cooperative manager must have the energy and determination of a missionary. He must believe in the cooperative and its mission, and strive ceaselessly to attain its goals. In short, to be a leader you must promote your cooperative continuously. This is a day-and-night job.

Humility — Last but not least, be humble — know your abilities and know your limits and act within them and you will not get into trouble.

Since we have already said quite a bit about the requirements of a good manager you should by now have suspected that I am convinced that management is one of the most essential parts of a cooperative's business. I mean exactly that. You can be sure that this point will be emphasized time and again at this workshop.

From the part of the world in which I live we can cite case after case of successful cooperatives. Each one of them has been blessed with a good

manager and a progressive-minded board of directors.

On the other hand, it is easy to name a cooperative in a nearby village that as of 1970 has not been able to get off its haunches. In every case it has lacked a good manager and a progressive board of directors.

MANAGER-DIRECTOR RELATIONS

The word director in a cooperative means a person or a group, charged with the responsibility of directing the cooperative's affairs. Management means someone or a group of persons with the responsibility of managing the business affairs of the cooperative.

It is absolutely necessary that each group know its area of responsibility and keep within the limits of its assignment.

It is the director's responsibility to formulate the policy, to hire the manager and to pass the basic policy decisions on to the manager. It is then his duty to carry out his responsibilities and to be held accountable to the board of directors for results. At this point the manager must go to work. He must hire the staff — plan the operation — organize the work — direct the work — coordinate the effort and then control the result. The total responsibility is his, and when that is clearly understood he has a working relationship with the board of directors that should result in positive accomplishments.

When the above requirements are met and a good manager is chosen, the cooperative is in a position to go forward and accomplish its objectives.

Let us assume that the cooperative is now humming along in fine shape. Business is good and the profits are accumulating. Directors, members and everyone concerned is pleased. The next question is how do we keep it going that way? As sure as night follows day you can anticipate problems. This is the point at which the continuous learning process becomes important. The statement that, "The moment you stop learning you are dead," is obviously true. It is a manager's job to see to it that things keep moving along in a satisfactory manner. He is the spark plug for the cooperative and must work ceaselessly to keep things going while continuously planning for a better operation and new innovations to improve efficiency and to keep abreast of the changing times.

I am happy to report that during many years of experience as a cooperative manager I have always been afforded the opportunity to expand my knowledge of the business. We have had a never-ending series of management seminars,

conferences and meetings. The opportunity to be exposed to new ideas, techniques and current experiences has been invaluable to me. Incidentally, you can always expect to find the managers of the successful cooperatives at the meetings. The never-ending process of personal improvement must continue unabated.

All of us here today have surely learned long ago that, "Experience is the best teacher." Sharing your knowledge with another cooperative manager can help him to avoid the mistakes you have made and certainly you can learn from his mistakes. On the positive side you can learn from his successes as well.

In this changing world you can be sure that new problems will face you constantly. There is so much room for improvement in our methods of doing business that we have to accept change daily.

Since the subject of compensation is inevitably brought up let me give a personal opinion on this delicate subject. Too often the board of directors seems to be more interested in how cheaply they can hire the manager and his staff than in buying results for the cooperative. The expression that, "You get just what you are willing to pay for," is absolutely true. The policy of the Soybean Processing Cooperative that I worked for, was to pay the highest salaries we could afford and to be more than competitive in our city of 30,000 people. Because of that policy we could hire excellent help and could also demand top performance of our employees. This policy also results in maximum employee loyalty to the cooperative.

Pleasant working conditions made a perfect atmosphere for best results. Tied to all of this is the dignity and self respect of the employee and his family. When the board of directors of the cooperative faces the compensation issue fairly and squarely it is on the road to success. A good manager always earns his salary.

Before finishing my part of today's program may I venture into an area that might be somewhat delicate as far as my qualifications to speak on this subject are concerned. I am going to suggest areas of activities in which your cooperatives might work to improve your worth to the producers you represent. I shall refrain from making direct comparisons with the marketing system in the U.S. and hope to have the proper understanding of some of your problems.

I have been visiting this part of the world for about seven years and have learned more about your agricultural programs and marketing systems each time. But this surely does not qualify

me as an expert. Having covered the subject of management I wish to add a few more thoughts as to how the cooperative can better serve its members. Since the manager is the man in charge, it is his job to see that the proper push is made to improve the production, processing and marketing of the farmer's products. For your consideration here are some suggestions.

Production The manager of the cooperative should study the production methods of the products which he is charged with marketing. He should be familiar with all phases of the product from the producer to the consumer. He should be able to advise the farmers on the best varieties to grow, those that will yield maximum crops of the best quality that can be produced. He will often be called upon to advise the producer as to what crop to grow and what crop will return the maximum in money. He must know the types of soil and what fertilizers will give the best return in yields. And he must also know the markets at home as well as in other areas of the world if some of the production is exported.

Transportation Since most agricultural production must move from the producer to the market in a fast and efficient manner, it is absolutely necessary that the products arrive at their destination in the best possible condition. Our observation, especially of fruits and vegetables, and to a certain extent grain, is that there is much room for improving the transportation system everywhere. Since roads, railroads and trucks are expensive, it is difficult for the cooperative to be effective in this area. Nevertheless, where possible, the cooperative can work to prevail on those in charge to make improvements. In some cases the cooperative can acquire its own facilities.

Processing This is an area where the cooperative can do much to force improvement in preparing the farmers' produce for market. If the farmer controls this function he can rest assured that he is doing his share to offer the consumer an attractive product of good quality that will bring repeat business. An up-and-coming cooperative with a wide awake manager will be constantly on the lookout for ways to upgrade the product by new and modern processing equipment. Quality products are always saleable and find an eager repeat market. There is no substitute for quality. A housewife's memory is long and she cannot be fooled often.

Merchandising Whether you sell to the retailer direct or to a middleman, it is best that you control the product as long as you can. Some of the

most successful cooperatives in the U.S. have set up their own trademark and have taken it to the ultimate consumer. As an example, "Sun-kist Oranges" are known all over the U.S. Many other trademarks are as well known on cooperatively marketed products. With a trademarked product your reputation is also on the market and it is the cooperative's business to see to it that its reputation is upheld. This job is enough to keep a good manager on his toes.

Intelligent and effective marketing is a must for the producer and it is the responsibility of the cooperative and its management to do this job well. This is the key to profits for the producer and the cooperative, this obligation is not to be taken lightly. Remember, the key to success is useless unless you have the ambition to insert it in the keyhole and the will to turn it. Even then when the door is unlocked you must be the one to open the door.

Let us now assume that the advice that you have received has all been properly activated for the benefit of the cooperative and a successful year has been concluded. You have come to the time for the annual meeting of the members of your cooperative, and now it is your time to report on your stewardship of the property and business of the cooperative. The sweetest words that your members can hear is when the chairman of the board calls for the manager to read the annual business report and he begins as follows, "Ladies and gentlemen, I am happy to report that your cooperative has concluded a successful and profitable year. Dividends have been declared," and so forth through the report.

I know how they feel because I have had the opportunity to do this on many an occasion. It really makes the job of managing a cooperative worth while and we can say in all honesty that the farmer is truly "the salt of the earth."

MANAGING MARKETING COOPERATIVES IN EAST PAKISTAN

by
Shamsul Huq

THE OBJECT of cooperative marketing is to give the members a fair price for their produce by elimination of middlemen from the trade as far as possible. Thus marketing cooperatives are essentially business organizations and their success depends upon the ability of the management. Management does not consist of only the managers. It also consists of members, directors and other responsible employees of the organization. It is thus a team job.

Successful management of a cooperative society is based on the intelligent and active cooperation of the members of the board and the salaried managers and other responsible employees. But each group will have to shoulder its responsibilities effectively and efficiently. Members are the owners of the cooperative societies. They have the inherent right of controlling the affairs of the societies but for obvious reasons they cannot do it directly. They exercise their control over the affairs of the societies through their elected directors, who in turn have the responsibility of formulating operation policies by engaging salaried managers who are entrusted with the responsibility of running the societies' business. Thus it is to the members' interest to elect competent people as directors. Sometimes, due to the indifferent attitude of members, the right types of directors are not elected and an incompetent board fails to bring about a proper

balance between the members, the board and the manager. Managers are appointed by the board and if the board is indifferent the manager may take over most of its functions and it becomes only a puppet board.

In order to run a marketing society efficiently and successfully, the manager of the society should possess experience and training in the type of work he is to perform. He should be thoroughly honest and a competent businessman in whom the members and his colleagues should have confidence. He should also be well acquainted with the cooperative principles and ideals. But in our primary marketing society it is hardly possible to get such managers. In these societies, managers are not well trained and experienced. The volume of business is very small. Therefore it is not possible to get suitable managers with the scanty pay such societies can offer.

On the secondary level, the managers are the officials of the Cooperative Directorate on deputation. Their training background is rather different from that of the marketing side. Besides their services being transferable they do not stay in the societies for long. So on the transfer of one manager the policies adopted by him are also changed by the incoming manager, so there is discontinuity of policies. There is no suitable arrangement for training of the managers on the business line of the societies. To obviate these difficulties and to

make these societies economically viable, some arrangement should be made to train the managers in business administration and provide them with better pay.

In case of a private firm a manager becomes successful if he can render efficient services to his customers. He is not to bother about continued support of a particular group of customers. But a cooperative marketing society is supposed to deal with its members if it wants to be a real cooperative. The members are the users of the cooperative society whether it is a producers' society or a consumers' society. The implication is that a manager has to be cautious about the continued loyalty of the members towards their society. Many cooperative societies came to grief when they lost members' loyalty towards their organization. To retain members' loyalty is not always an easy job. The present writer's experience is that as a field officer in a district he organized a few jute growers' cooperatives. There is a practice here that private traders advance money to jute growers at the time of sowing and thus gain undue advantage in getting the growers' production at a very low price at the time of harvesting. The above-mentioned jute growers' societies were organized and members were given loans by the societies during the sowing season, but after harvesting it was found that members of the societies sold their good quality jute to outsiders and dumped on the society inferior quality jute, but demanded the price of quality jute. It became a problem for the managers. They had either to accept inferior quality jute at a higher price or had to face the risk of losing the money. This was because the members did not develop any loyalty for their organization. In a milk producers' society, also organized sometime back, it was found that when a particular member found a good price for his milk from an outsider he did not come to the society but came only when disposal of his milk was a problem. No business program can be planned with such disloyal members. This is a problem for the managers of the cooperative societies.

Retention of continued loyalty of the members towards their organizations depends largely upon the ability of the manager to act as a leader and to inspire members' confidence.

THE GATHERING AND DISSEMINATION OF MARKETING INFORMATION TO THE PRODUCERS

Effective and efficient operation of a marketing system depends largely on accurate, adequate and timely information on the produce to be marketed. The function of marketing is the buying and selling of agricultural products at which time prices of the products are exchanged through the marketing channel. The activities of the marketing cooperative are involved in procuring the right product at the right place at the right time. Adequate and accurate information according to demand and supply is essential if the products are to be produced in relation to the requirement of their consumption.

Production plans are also required for future market potentials. Information is necessary not only for the producer but also for processors, packers and other agencies to make the marketing system effective. To make the information useful it must be timely. Practically nothing has yet been done toward collection and dissemination of marketing information. There is no private agency engaged in collecting price information for the produce marketed through the cooperatives. Public agencies which play a major role in collecting agricultural information are also very limited. The only governmental body which releases price information is the Directorate of Agriculture, which releases marketing information through radio and bulletin. Even this media is insufficient.

There is no specific research made on the marketing conditions under cooperatives as to how the consumers accept a product of the cooperatives, how much of an item might be sold in the area, what other agencies are handling the same type of products and what price they charge.

The cooperative manager is handicapped because of the lack of the above information. All cooperative managers should try to gather all this information through their own channels before they draw up their business program for the year.

MANAGING MARKETING COOPERATIVES—SOME PROBLEM AREAS

by
Manzoor Ahmed Malik

COOPERATIVE MARKETING was introduced to save the farmer from overall exploitation of moneylender-cum-market dealer. The simple goal was to replace him. In West Pakistan, therefore, management still continues to be simple, honorary and low paid. Marketing coops have not developed a dynamic business attitude in the sense coops in developed countries have. They are too weak to meet the challenge of fullblooded competitive business.

By and large, marketing societies are not quite viable business units. In view of limited business volume, they cannot employ people with present day managerial skills and tools. And since they cannot employ such people, they do not think in terms of dynamic policies and viable businesses. This is a vicious circle. The problem to ponder over is what solutions or measures are possible to tide over such a situation.

MANAGEMENT

Management is sometimes considered as including only the manager and his principal assistants. Sometimes it is considered to include the managing committee or board of directors. In certain situations, the staff of the Cooperative Department takes upon itself the management of societies. The management committees and hired people are swayed by complacency or are

satisfied. All this is a far cry from real management activities. Cooperative management is a team job consisting of members, directors and the manager along with other responsible employees.

The concept of the early twenties regarding duties and responsibilities of management does not fit in with present day business conditions. In the market, people, to all appearances, see prototypes of the old shop. This lulls them into confidence in their own shop. How to infuse a sense of awareness and urgency among the members of the board and to enable them to react to competitive big business requirements is the question.

MEMBERSHIP

The members are the real owners of business. They have a right to control the society and an obligation to actively participate in its affairs. However, they confine themselves: 1) to frame the constitution, 2) to lay down objectives, 3) to approve of changes in capital structure, 4) to elect and/or remove directors, 5) to critically examine business operations periodically, and for this purpose it is up to the management to keep them fully informed. The members, on the other hand, avoid interfering with employees in the performance of day-to-day duties, and only make suggestions, if any, through proper channels.

It is obligatory for members to patronize the

society; to sell produce through it, to purchase requirements from it. But it will be expecting too much of them if the society is not rendering efficient service against its competitors. Instances are not lacking where members of societies closed their own business in due course because of more efficient and/or economical service rendered to them by the society.

BOARD OF DIRECTORS

The attitude of the board members plus their efficiency determines the character of a coop, even its success or failure. If the board is efficient and effective, it can develop loyal membership and also keep the manager on his toes. If it is inefficient, or has any vested interest, the chances are that the manager will take over most of their duties and functions. Thus, it is in the interest of members to elect individuals to the board on the basis of qualifications required for the job and for no other consideration. According to the bylaws of a coop, its affairs shall be managed by the board, and thus, in turn, shall appoint a manager and the complementary staff. Also, the board delegates such of its powers and duties of the manager as is essential for good conduct of business.

The duties and responsibilities of the manager, subject to the overall supervision of the board or the managing committee are further specified in the bylaws. Major duties of the board and the manager overlap and it is difficult to determine where the functions of the board and those of the manager begin. To ensure smooth coop working, the duties and responsibilities of the two (the board and the manager) need clear demarcation.

Being part time honorary workers and (very often) generalists without technical qualifications as managers, the board confines itself to: 1) formulating policies, 2) achieving fulfilment of objectives laid down by members, 3) selecting a capable managerial staff, 4) delegating authority and assigning duties to them, 5) checking up and seeing how policies laid down by the board are implemented, and 6) evaluating the results of policies as against the objectives and targets laid down by them, but leaving implementation of these policies to the professional manager.

It is observed that members elect directors over and over again, perhaps because of their creditable and efficient service record to the society. At times, this has an adverse effect on working policy. The directors become stale and/or inactive. The infusion of new blood brings new life to a society. It seems desirable that a provision be made by law to restrict the term of office of a director.

It may also be necessary to have a training programme for new directors. The department ought to gear up a programme for training of office-holders or directors and to see that new people, when elected, get the necessary training before they take over.

In certain movements, junior board members are elected. They have an advisory capacity but are sometimes delegated certain powers to keep their interest alive. Such junior directors, in due course, replace older ones, and/or fill in vacancies as they occur. This needs consideration by participants.

DUTIES OF A MANAGER

The old easygoing days of managing business by trial and error, and hoping for best results at the end of the accounting year, and measuring performance only backwards, are gone forever. Business undertakings in an internationally and nationally managed economy must be managed scientifically. Managers cannot afford to be victims of circumstance. They cannot ignore the existence of uncontrollable factors. They should, therefore, manage their businesses and not be managed by them.

The manager must know the use of management tools and techniques. He should have complete knowledge of the commodity he handles, its production at present, and in the foreseeable future, its markets in and outside the country. He must know the market trends and details about receiving and handling supplies, grading, packing, processing, selling and (very important) the margins in different processes, and the losses generally involved in the marketing channel. This means constant awareness of the business situation and continuing vigilance on his part.

The manager has also to act as an adviser to the board in framing policies. The board has to rely on his advice and suggestions, especially about the details of business operations. As a successful manager, he should be capable of controlling his subordinates and strong enough to resist undue interference by directors in the day-to-day business of the society. He will have to keep a close liaison with members and the committee and keep them fully informed about its functions.

A manager possessing the above qualifications and technical know-how of the job is a rare commodity everywhere, more so in developing economies. In the cooperative sector, the position is perhaps the worst because of insecurity of service, poor emoluments and unsatisfactory working conditions.

Except in the case of a few big institutions, average establishment per society is about three. The managers are mostly matriculates. Generally they are from the field staff of the Cooperative Department, or have been promoted from the junior staff of the concerned society or a sister institution. Experience in the field and the societies (in most cases) is the only qualification. In the case of farm service centres, the managers and the assistant managers were recruited from graduates and trained at the Cooperative Training College, Lyallpur. The College also holds inservice training courses off and on. All this is well and good, but the scope for improvement is also great and this is perhaps not within the competence of cooperative societies. As sponsor of the movement, the Government should take the initiative and provide scholarships to students for postgraduate studies in business management and subsidize the pay of properly qualified managers till such time as the societies build up their businesses.

Security of employment in cooperative societies in countries where employment opportunities are limited, is a serious limiting factor in attracting the brilliant boys to the service of the societies. In the absence of a central organization of marketing societies, the West Pakistan Cooperative Union may consider the creation of a common cadre for at least the managers of cooperative societies to ensure them a provident fund if not a pension at this stage. This may also be essential to enable the manager to work with independence and courage without yielding to undue interference by the directors and the members in the day-to-day business of the society.

Organizational charts, manuals and written guidelines are very important tools of a modern manager. Perhaps the West Pakistan Cooperative Union in cooperation with the Institute of Cooperative Management and Cooperative College could produce such material for improving the managerial skills and efficiency in coops and keep feeding them with such material.

MANAGEMENT IN COOPERATIVE SOCIETIES — APPOINTMENT OF MANAGING DIRECTORS

by
Mansour Emami

THE MANAGING DIRECTOR of the cooperative society is appointed by the board of managers. The board may relieve the managing director of his duties if his work is not found to be satisfactory and in the interest of the society. The managing director is generally appointed from among individuals possessing the following qualifications:

- 1) He should be a resident of the village.
- 2) He should be literate and be familiar with reading, writing and arithmetic.
- 3) His interests should not be at variance with those of the cooperative society.
- 4) He should have a good reputation.
- 5) He should be interested in cooperative affairs and should have ample time to perform his functions in the society.

METHOD OF TRAINING

The managing director of a cooperative society receives the requisite training in two forms:

1) *Training within work* — The supervisors of cooperative areas, while visiting the cooperative society, offer training to managing directors about the aims and objectives of cooperatives, regulations and principles of cooperatives, their administration and accounting.

The cooperative supervisors are selected from among the graduate youth of rural regions and receive one year of cooperative training. They

should have at least three years' experience as assistant supervisors.

2) *Training classes* — The principles of cooperatives, their brief history, types of cooperatives, bylaws, regulations and statutes, method of accounting and administration, and development of cooperative services are taught in these classes. Prospective managing directors participate in the examinations at the end of the course.

FUNCTIONS

In accordance with the statutes of the cooperative society, the function of the managing director is to enforce the resolutions of the board. The main functions of managing directors are listed briefly below:

- 1) Accounting of the cooperative wholly or partially
- 2) Clerical work of the cooperative
- 3) Supervision of construction, installation and stores of the cooperative
- 4) Cooperation and deliberation with the board for execution of all functions
- 5) Receiving loan applications from members and submitting them to the board after ensuring their validity
- 6) Paying loans with the approval of the board
- 7) Recovering loans in their due time
- 8) Other duties.

RELATIONS WITH THE BOARD AND ADOPTION OF GENERAL POLICY

Since according to the statutes of cooperative societies, the board meets once every two weeks, and the managing director should attend these meetings without any voting right, it could be concluded that the board and the managing director have official connection once every two weeks. However, these formal meetings are not the only connections between the managing director and farmers resident in the same village or in nearby villages, for they have to meet frequently to discuss current problems and hence various opportunities arise for making contacts.

The general policy of cooperatives is adopted on the basis of the statutes.

The following men are involved in the adoption of this policy:

- 1) Supervisor of cooperative area for advice, guidance and recommendations
- 2) Managing director and members of the board who, in addition to having certain power and authority, are among the distinguished personalities of the village
- 3) Members of the cooperative society who are the owners and customers of the society.

The general policy is usually forecast and recommended by the board and is approved at the annual general meeting.

MARKETING ACTIVITIES

It could be asserted that 80 percent of the rural cooperative societies in Iran are active in procuring grain from farmers and selling the same to the Grain Department which is a government organization.

In addition to this about 84 cooperative societies have started activities in other marketing fields such as the purchase and sale of rice, cereals and fruits. The cooperative unions, which are over 100 in number, also have extensive plans for marketing activities, and have already started some of their projects.

WAGES

So far managing directors of rural cooperative societies have not obtained adequate and definite remuneration.

As far as wages are concerned, managing directors could be classified in one of the following three categories:

- 1) Those who receive wages proportionate to the society's income, but since the society's income is rather low, their remuneration is also small amounting to an average of 800-1,000 rials per month.*
- 2) Those who do not receive any remuneration, but receive a bonus at the end of the year in proportion to the society's income. The amount of this bonus too is small, due to the aforementioned reason.
- 3) Those who neither receive wages nor bonuses and who perform their functions in an honorary capacity.

The question of recruitment and remuneration in cooperative societies is a current day topic. The CORC is considering the formulation of a model regulation and is arranging the preliminaries for setting up a central pension fund for cooperative personnel. I trust that the CENITO experts will cooperate with us in this connection.

RELATIONS BETWEEN MEMBERS AND THE SOCIETY

The members of the society are informed of its activities in the following manner:

- 1) Participation in the annual general meeting
- 2) Participation in training courses which are held monthly
- 3) Reading the bulletin entitled "Taavon Iran" which is published biweekly.

ASSISTANCE OF BOARD MEMBERS

The members of the board cooperate with the managing director on all occasions, particularly in the collection of claims and the implementation of the programme of the society.

* \$1.00 = 75 rials

MANAGING MARKETING COOPERATIVES IN TURKEY

by
Rifat Unaydin

IT IS A FACT that a good manager is one of the essential factors in the success of a cooperative. As you know, management is the art of directing the activities of a group of people towards an agreed objective. To manage is to plan, organize, direct, coordinate, control and motivate the efforts of a group of individuals towards the achievement of the objectives effectively and economically.

The managerial function in a marketing cooperative is that of planning, organizing, directing, coordinating and controlling (within the policy laid down by the board of directors) the activities of the cooperative, particularly so far as trading activities are concerned, so that the objectives shall be attained in the most economical manner, with maximum satisfaction to all the factors concerned.

Turkish marketing cooperative managers observe the following to manage a cooperative:

Plan: its objectives and all factors essential to achievement

Organize: its activities and its personnel

Direct: personnel performance

Coordinate: each part of the program with all other parts

Receive: information about what is going on.

In Turkey the cooperative manager is not a

policy maker, but it is his task to so organize and coordinate the activities of the cooperative as to fit the policy laid down by the directors.

The cooperative management in Turkey is judged by:

- 1) The extent of the progress of the organization, whether it is satisfactory or otherwise.
- 2) The smoothness of the operation of the organization. Is there proper coordination of the parts, a lack of friction, a proper distribution of the load?
- 3) The extent to which the staff desires to help the organization. What the manager wants, the staff should want, not from compulsion but from desire.

A good cooperative manager must have the necessary technical knowledge of the business he is to carry on, and he must be particularly good at understanding and using the expert knowledge of the technicians on his staff. He must have an understanding of cooperative methods and he must be able to maintain good relations with the members and with the public. The cooperative manager must be a well-rounded businessman. This takes specialized training.

The biggest problem in Turkish cooperative management is to find good business managers for

the big marketing cooperatives. In Turkey there are few facilities for training at a managerial level.

In Turkey there are no special cooperative college courses for training cooperative managers. Only recently general management studies have been introduced into commercial colleges and the commercial faculties of the universities.

In Turkey most of the marketing cooperatives and their unions are administered by the Ministry of Commerce and are under the general supervision of the Agricultural Bank. These cooperatives are set up according to a special law. Each cooperative or union may select their own local employees except the director of cooperatives and general directors of the unions. Cooperative directors are assigned by the local cooperative but must be approved by the Ministry of Commerce. General directors of the unions of cooperatives are assigned directly by the Ministry of Commerce. Salary scales, hours of work, holidays, bonuses to employees, overtime rates, even assignments of jobs to individuals are laid down by a special cooperative employment statute.

RESEARCH

Some of the marketing research work is carried out by the unions of cooperatives. But most of the market research is carried out by the Marketing

Department of the Ministry of Agriculture, and the Ministry of Commerce Export Promotion Center.

Research is continually being carried out by:

- 1) Collecting and analyzing reports on volume and prices in the leading domestic and foreign markets
- 2) Testing consumer preferences for different grades and varieties of products
- 3) Researching the best and most economical methods and materials for packaging
- 4) Experimental trial shipments for exportable commodities.

The Marketing Department of the Ministry of Agriculture has recently been given the task of gathering market information and disseminating it to both the production and marketing cooperatives in Turkey. The market information is being disseminated by radio, newspapers, and market sheets on a daily basis. Weekly and monthly summaries are also being documented and distributed.

In the past two years an awareness has become evident to the marketing cooperatives that the production and sale of top quality commodities are the best methods of establishing good public relations. Other public relation factors are price and service. These two factors are being concentrated on in the wholesale and retail markets.

MANAGEMENT OF MARKETING COOPERATIVES

by
Matthew C. Wordsworth

MANAGEMENT, NOWADAYS, is spread out much more than in days when businesses were simply administrative organizations for certain objectives. Of course small businesses still are such organizations, but the demands of humans and the increasing skills needed both in processing technology and organization mean that any fair-sized business that is competitive must have management of a new kind, with everyone who is at a focal point in the organization taking some part in management and management becoming more and more a team effort.

Because of increasing complexity in business, modern managers and management have become increasingly concerned with gathering information upon which to base decisions. These decisions are, if they affect policy, matters for the board of directors. The relationship between managers and the board is very important, especially in a cooperative, in which the board represents the owners, the members, who are shareholders, but also whose livelihood depends on the work of the cooperative. Management is a joint function of the board and the manager, but there must be clear lines of division so that, when the board has decided on a policy and an objective, the manager is allowed full freedom to get on with his job.

One of the major jobs of management nowadays is to collect information upon which decisions are made. This is a subject needing special research training, but it is very important in marketing because, unless a cooperative knows where it can best sell what, with the least expense to itself, it will not succeed. There may be a need, in the regional countries, for help in this regard from a marketing institute.

Probably the most difficult problem for managers is how to raise capital. This will be discussed on the third day, but it should be noted that cooperatives (because of their form) always tend to be short of capital. This means that management decisions for cooperatives have to be taken with this knowledge in mind.

In a marketing cooperative the problem of how to keep the farmer members informed of what is going on and how to interest non-member farmers so that they will join is very important. A magazine or a few leaflets can help, but personal contact with farmers by members of the staff (from truck drivers upwards) is essential. A special staff member to visit farmers is useful. In the past, cooperative movements in regional countries often relied on government officials to teach about cooperatives and to disseminate information.

This was not always satisfactory. Probably cooperatives should now do this themselves. Perhaps several could join in local unions for this purpose.

However, in many cases managers, both the top men and those in charge of departments or sections, know little of the structure and spirit of cooperatives. Managers have to be recruited where they can be found -- it is usually true that it is easier to teach a skillful manager about cooperatives than to teach a cooperator about management -- but don't forget to teach him. This can be done through very short courses. Managers are busy men. They do not have much time to read, but a weekend course for a group of managers, who must also have time off for discussions of their practical problems among themselves, can provide this teaching. Three forty-minute talks, with a twenty-minute discussion period after each, can cover this subject. Cooperatives have plenty of disadvantages in the business world -- the cooperative spirit is their one particular asset and, if they neglect it, they usually go under.

The Plunkett Foundation in London, which is fairly well known in the regional countries,

concentrates on training for agricultural cooperatives, and undertakes training of young men, and also holds conferences for senior managers, but it also holds overseas management courses and runs correspondence courses for management. On the whole, a combination of classroom training and on-the-job work for junior management staff seems to get the best results. This is what the Cooperative Wholesale Society uses for consumer society trainees through the Cooperative College, and the Plunkett Foundation does the same on a smaller scale for agricultural cooperatives. It is in these junior ranks that it is hoped senior managers of the future will be found, though at first such men must come from the business world.

Cooperatives, many of whose members are farmers earning very little, often object to paying proper salaries for managers. This is just as foolish as buying a cheap and inefficient canning plant, but cooperatives tend to do this, too.

The democratic form of a cooperative can be a disadvantage in business. It should not be altered because of this, since it can also give the added strength of loyalty, and running a democracy is a problem which cooperative managers must face.

**THIRD
DAY
PAPERS:**

**FINANCIAL
MANAGEMENT
OF
MARKETING
COOPERATIVES**

FINANCIAL MANAGEMENT OF MARKETING COOPERATIVES

by
Ralph U. Battles

THE MOST IMPORTANT component of good overall management of a cooperative is the development of a sound and adequate financial plan. Since cooperatives are a form of business organization, their operations must be financed in a manner that will: 1) accomplish the specific objectives of improving their services to members, and 2) provide for a continuity of solvency in order to maintain or further improve their services to members in future years.

The financial needs of cooperatives will vary considerably depending upon the size and nature of their operations. Financial requirements for a marketing cooperative that confines its operations entirely to bargaining with consumer or wholesale organizations will require relatively small financial resources. Its expenses will involve only salary costs for the bargaining officials, and perhaps rental costs for an appropriate office.

At the other extreme, a marketing cooperative which assembles farm products, provides storage and processing facilities, and operates retail outlets will require much greater financial resources and a more complicated financial plan.

It is not the purpose of this paper to discuss the history of cooperative financing elsewhere in the world. Rather, basic proven principles will be discussed, which apply everywhere when adapted to the peculiar conditions existing within each country.

Perhaps the most important basic principle to understand in financing cooperatives, or any other business enterprise, is that which deals with the accumulation of capital. The term "capital" is used here to mean the total money value of physical resources used by a cooperative. Thus, the total capital, whether owned or borrowed, would include cash in the bank, accounts receivable, other current assets, fixed assets (land, plant and major equipment), investments and all other assets.

Capital accumulation, expressed most simply, is the net accumulation of savings. "Whether for an individual, a business corporation, a farmer cooperative, a nation, or the industrialized part of the world, capital formation results from withholding part of current income from current consumption and investing or holding it in such a way that it will contribute to future production or consumption. Such withholdings or savings when added to the previously accumulated stock of capital goods, enhance the future capacity of the individual, corporation, or nation to turn out goods and services.*

* This definition of capital and the description of the process of capital accumulation is considered by a foremost authority as a most significant fact necessary to an understanding of sound financial management. Dr. Russell C. Engberg, *Financing Farmer Cooperatives*, 1965, pp. 20, 21.

TYPES AND SOURCES OF CAPITAL FOR COOPERATIVES

In general, capital for cooperatives falls into two categories. First, owned capital represents that which is owned by the members of the cooperative and represents their share of ownership in the business, and usually involves no obligation on the part of the cooperative to pay interest, or to repay the members' investment at a given date.

Owned capital generally originates in two ways in a marketing cooperative. First, when a cooperative is organized each member purchases shares or certificates of equity, or pays membership fees. Even after a cooperative is in operation there may be occasions when the board of directors or the membership will deem it advisable to seek more capital from members through either an assessment or voluntary contributions.

The second, and perhaps the more important method of increasing owned capital in a marketing cooperative, is through a system of retained patronage refunds. This is usually done by retaining a fixed authorized amount of money per unit of product marketed by each member and allocating this amount to the member's account. In many cases, these retains are paid back to the members over a period of years according to a prearranged schedule. This so-called revolving fund plan will be discussed later in this paper.

The second category of capital for a cooperative is borrowed capital. This type of capital usually takes the form of loans from other institutions or individuals to the cooperative which, in turn, is obligated to pay a definite rate of interest and return the money to the borrower by a certain date. In the context of our earlier definition of capital accumulation, borrowed capital represents the accumulated savings of some other institution or individual which has given up control of its use to the cooperative for a temporary but definite period of time. In consideration for this temporary relinquishment of control, the lender is paid interest.

PRINCIPLES INVOLVED IN SOUND FINANCING

A cooperative needs to be adequately financed in terms of the total amount of capital, but in addition, careful consideration must be given to planning a financial structure with the proper balance between owned capital, on the one hand, and borrowed capital, on the other. A general rule considered as a guidepost is that lenders should not have a greater stake in the cooperative

than the owners. Stating this another way, owned capital should constitute at least fifty percent of the total capital. This is a good rule, particularly if the lender is not sympathetic to the cooperative way of doing business.

On the other hand, in actual practice there are numerous circumstances which would warrant either a smaller proportion of owned capital in a cooperative, or which would suggest the advisability of having even more than 50 percent in owned capital.

Capital owned by the members bears the major risks of a business failure. It also profits most in case of business success, in the form of greater savings, which may be represented to members by dividends, certificates of equity, allocated capital credits, or unallocated reserves.

An adequate amount of owned capital is a major prerequisite for obtaining loans from most lenders. They require that their loans be cushioned by enough owned capital to safeguard them against loss resulting from unforeseen circumstances. Since borrowed capital bears fixed interest rates and principal payments, both due at fixed dates, it is necessary for the cooperatives to have available sufficient owned capital without fixed interest, dividend, or principal payment to meet their obligations during unfavorable years.

Another reason for substantial owned capital is that it reduces the costs of the cooperative. Interest has to be paid on borrowed capital. Therefore, a high proportion of owned capital reduces interest costs, thus releasing funds for other constructive uses.

Last, but by no means least, large ownership of capital by members is a powerful incentive for membership loyalty to their cooperative.

FACTORS AFFECTING AMOUNT OF OWNED CAPITAL NEEDED

While there is no precise formula for determining the exact proportion of the total capital of a cooperative that should be owned capital, there are certain factors which should be carefully considered.

Perhaps the most important factor in this connection is the degree of fluctuation of the net earnings of the cooperative from year to year. For cooperatives which have had a record of stable net earnings, and which are expected to continue to have such a record, the proportion of owned capital can safely be smaller than for cooperatives, the net earnings of which, fluctuate substantially from year to year. Highly fluctuating earnings would, of course, jeopardize interest

payments on borrowed capital during unfavorable years particularly if the amount of borrowed capital were disproportionately large.

The business of some cooperatives is decidedly more risky than that of others. For example, a marketing cooperative which makes partial advances to members on the commodities which they produce assumes the risk of price changes. Similar risks are involved for those cooperatives which accumulate commodity inventories. Therefore, it would be prudent for cooperatives which are exposed to risks of this nature to have a higher proportion of member-owned capital.

These and other factors clearly indicate that there can be no general formula in determining the optimum amount of owned capital requirements for all cooperatives. Each cooperative must be analyzed individually and a financial plan developed, based upon the factors peculiar to the particular operations of that cooperative.

METHODS OF BUILDING OWNED CAPITAL

The method of building owned capital which is adopted by a cooperative is a very important part of the overall financial plan. The method adopted should be thoroughly understood by the members. In the case of marketing cooperatives, the members need to know that their cooperative has two broad objectives. The immediate objective, of course, is to obtain the maximum price for its members' products in the market. The longer range objective is to build their cooperative into a stronger and more efficient organization so that it can expand its services to members and effectively cope with the changing competitive conditions over a period of time.

The longer range objective will be an immediate cost to members to the extent that they have to either buy stock or pay membership fees in their cooperative. It will be a longer range cost to the extent that the cooperative deducts a small part from the proceeds of the members' sales, or retains patronage refunds. All of these costs to the member are for the purpose of building member-owned capital.

All members of the cooperative must understand the need for those costs, so that they will continue to support it through their patronage. It is a common practice for competitors of a cooperative to attempt to create distrust among members. This can be damaging to the loyalty of members if they are not fully aware of the needs and objectives of their cooperative.

REVOLVING FUND

One method of handling member-owned capital which has been used extensively in the United States and perhaps in other countries is the so-called "revolving fund plan." In its simplest form, this plan provides for retirement of the cooperative's oldest member-owned capital from funds accumulated from members and patrons of later years. Ordinarily, the revolving fund plan does not become operative until a cooperative has accumulated all of the owned capital that it needs.

Member-owned capital that is revolved may be either authorized deductions from sales, retention of patronage dividends, or in some cases, stock or certificates of equity which have been sold to members during an earlier period.

In some respects, the revolving fund plan is well adapted to farmer cooperatives. Its use has been regarded by many as an effective method of accumulating and maintaining owned capital. The use of the plan: 1) confines capital contributions to present members, 2) requires investment in proportion to patronage, and 3) restricts equity financing to those members currently using the cooperative. It also offers some incentive to members to contribute owned capital to their cooperative in the form of stock purchases, since they can look forward to a return of this capital at some future time.

On the other hand, the revolving fund plan assumes that the need for member-owned capital will either: 1) stabilize at some point in the future, or 2) increase less rapidly than the number and amount of business of new members. As the needs for capital increases, as they have in some countries, cooperatives will have to give more attention to accumulation of permanent capital and, perhaps use the revolving fund only in cases where member-owned capital needs in the future will permit.

CREDIT FINANCING OF COOPERATIVES

"Borrowed capital," the principal items of which are interest bearing loans, has a definite place in a financial plan for cooperatives. As previously discussed, there is a close relationship between "borrowed capital" and "owned capital." Borrowed capital usually bears a definite rate of interest payable at specific dates, and the principal sum is also payable at a specific date or according to a fixed schedule.

The use of borrowed capital under appropriate circumstances permits marketing cooperatives to expand their services to members by purchasing

and installing new equipment for handling and processing the products more efficiently, by expansion of storage capacity when needed, and by making other major changes which would contribute to increased returns to their members.

Institutions that lend to cooperatives, whether they be specialized banks for cooperatives or general banking institutions, base their loan decisions on a careful analysis of all pertinent factors. In a broad sense, the fundamental considerations taken into account by a lending institution are those which their experience has shown to be essential factors in the successful operation and growth of a farmer cooperative.

A major consideration is an evaluation of the management, and includes the board of directors. Other considerations would include:

- 1) Financial policy and risk as related to the practice followed by a marketing cooperative in making payments or advances to patrons for products delivered to it for sale. Where advances to members represent a large proportion of the market price, or where commodities are purchased outright by the cooperative, and where there is little or no protection against fluctuating prices, the risks of loss are considered high.
- 2) The volume of business as related to that necessary for efficient and low cost operations.
- 3) The degree of risk associated with the particular nature of the business being conducted by the cooperative.
- 4) The general credit-worthiness of the cooperative, which involves such considerations as the adequacy and balance of the financial plan, its repayment record on past loans, its earnings record, and adequacy of the collateral offered to secure the loan.

It is important to both the cooperative and the lending institution that the foregoing factors be analyzed carefully and that sound judgments are made. The cooperatives need to be able to use the borrowed funds effectively and efficiently to improve services to members, without jeopardizing its financial solvency. The lending institution needs to be in a position where it can collect its loan when due without impairing the ability of the cooperatives to continue effective and efficient service to their members.

SUMMARY

To summarize, the following general points should be made:

- 1) The development of an adequate and sound financial plan is the most important component of a program of good cooperative

management.

- 2) Financial needs of cooperatives vary considerably depending upon the size and nature of their operations.
- 3) The most important basic principle to understand in financing cooperatives deals with the accumulation of capital. Expressed most simply, capital accumulation is the net accumulation of savings.
- 4) There are two categories of capital, namely, owned capital and borrowed capital. Generally speaking, owned capital should amount to at least 50 percent of total capital. Under certain circumstances, however, it is advisable for a cooperative to have more than 50 percent of member-owned capital and under other circumstances it would be safe to operate with less than 50 percent owned capital. This determination must be based on an individual analysis of each case.
- 5) An adequate amount of owned capital is a major prerequisite for obtaining loans from most lenders.
- 6) Variation in net earnings from year to year, and the degree of risk inherent in the type of business handled by a cooperative, are factors influencing the desired level of member-owned capital.
- 7) Member-owned capital can be built by selling stock or membership, deductions from sales, or the retention of patronage refunds.
- 8) The "revolving fund plan" in its simplest form provides for retirement of the cooperative's oldest member-owned capital from funds accumulated from members and patrons of later years. While the "revolving fund plan" is considered by some authorities to be an effective part of a financial plan, the expanding needs for member-owned capital may limit its use in many cooperatives.
- 9) Borrowed capital, which bears a fixed rate of interest and must be repaid on fixed dates, permits many cooperatives to expand and modernize their operations more promptly than would be possible on member-owned capital alone.
- 10) Borrowed capital increases the risks to the cooperative, especially if earnings fluctuate significantly from year to year. A cooperative should borrow capital only after a thorough analysis of its operations, and only if it has an adequate cushion of member-owned capital.

FINANCIAL MANAGEMENT OF MARKETING COOPERATIVES IN EAST PAKISTAN

by
Shamsul Huq

THE FARMERS OF EAST PAKISTAN are very poor indeed. This is mainly due to too much pressure of population on land, low yield per acre and wide-scale damages done to the crops every year by natural calamities and pests. No organized marketing system is in operation in the province. Warehousing facilities are also not available. The farmers of East Pakistan are therefore absolutely dependent for the marketing of their farm produce upon the unscrupulous traders and middlemen and are thus subject to exploitation of the worst type. They can never expect to get a fair price for the wealth produced by the sweat of their brow. This makes them all the more poor and kills their incentive to make

Year Plan as well, the Provincial Marketing Society, 43 central multipurpose societies and 930 union multipurpose societies have been developed. It has already been stated that the farmers of East Pakistan are of limited means. Realizing full well that the poor farmers of the province are not able to provide finance needed by the marketing cooperatives, the Government came forward with funds under the scheme to help the cooperatives to construct godowns and to take up marketing operations for the benefit of farmer-members by way of shares, loans and grants-in-aid. Total funds made available to the marketing cooperatives under different heads through the scheme are shown below :

1. Share capital	Rs. 3,364 millions
2. Grants-in-aid (for maintenance of staff)	Rs. 2,569 "
3. Loans	Rs. 25,336 "
4. Grants-in-aid (for godown construction)	Rs. 5,467 "
TOTAL	Rs. 36,736 "

efforts and investment for the development of agriculture.

With a view to providing essential marketing facilities to the farmers a cooperative marketing structure was created in East Pakistan through the credit and marketing scheme under the Second Five-Year Plan. Under this scheme, which is being continued under the Third Five-

The funds provided by the Government were of course inadequate for the purpose of taking up marketing operations on a large scale. But it was quite enough to start with. The primary multipurpose societies, the central multipurpose societies and the Provincial Marketing Society are properly utilizing this money for developing a sound marketing scheme and are also gaining

experience for the job. Structural changes will be necessary to make the primary societies more viable organizations and processing plants for different commodities will have to be set up by the Provincial Marketing Society to make the marketing scheme effective for the benefit of its members.

The marketing cooperatives in East Pakistan do not take any loans from commercial banks. They could of course get such loans from commercial banks on the security of the stock in their godowns. But interest rates for such loans would naturally be very high, making it difficult for the marketing societies to earn a profit.

The marketing coops can carry on business to a reasonable extent even without employment of any fund. The East Pakistan Provincial Coop Bank has been issuing supervised credit to the farmers through the intermediary of central coop banks at the secondary level and union multi-purpose societies at the primary level for production of the paddy crop to the tune of 100 to 150 million rupees each year. The farmers have to repay their loans immediately after harvesting their paddy crop when the price of paddy remains at a lower level. It would mean very good business for the marketing cooperatives and at the same time help the growers to a large extent if some mechanism could be evolved to ensure repayment of the production loans to the farmers, in kind. For this purpose no fund will have to be employed by the marketing cooperatives. Loans are available to the Provincial Bank from the State Bank of Pakistan at 2 percent interest below bank rate. It is permissible to utilize these loans also for marketing purposes. The marketing societies could avail themselves of the facility of this fund if they could draw up useful schemes for the benefit of the farmer-members.

But the State Bank financing is now available only for a very limited purpose. It can be utilized only for production and marketing of paddy. There are other cash crops like tobacco, ginger and turmeric grown by the farmers of East Pakistan in different parts of the province. The State Bank of Pakistan funds cannot be utilized for the production or marketing of these crops. The State Bank of Pakistan has already begun to look into the possibility of relaxing the terms and conditions of its loans so that production and marketing of these crops could also be financed out of its funds. It is very necessary for the State Bank of Pakistan to make the loans given to the cooperatives more liberal and flexible in

nature so that they could be utilized more rationally to serve the best interest of farmers.

It should be mentioned here that jute is the main cash crop of the province. The prosperity or poverty of the peasantry of East Pakistan depends on its price. This main crop remains outside the purview of the cooperative marketing scheme. Marketing of other crops including paddy is no doubt important, but it is of minor importance compared to the marketing of jute. The jute trade is controlled mostly by big business magnates and agents employed by them, and provides an opportunity for the exploitation of the farmers. If cooperatives mean business, they ought to enter into the jute trade. But it would require an upheaval for them to do so. In East Pakistan the estimated production of jute is 70 lakh bales, valued at Rs. 105 crores or so. It is impossible for the marketing cooperatives to arrange for this huge amount of capital necessary for getting into the jute business. The State Bank of Pakistan provides money to the jute traders through the commercial banks. This finance actually goes to help the traders to exploit the growers because the growers have no capacity to hold on to their produce or resist traders who offer low prices for it. Loans from the State Bank of Pakistan cannot be utilized for the purpose of production and marketing of jute. On the other hand, funds made available to the cooperatives by the State Bank of Pakistan must be backed by Government in the form of a guarantee. Government resources being limited, funds received by the cooperatives from the State Bank of Pakistan in the normal course are also very limited. It is impossible for the cooperatives to get into the jute trade involving huge capital with such meagre funds even if the State Bank of Pakistan agrees to its utilization for marketing of jute.

If the marketing of agricultural produce on a cooperative basis is to be made meaningful in East Pakistan then jute must come within its fold. The capital needed for this purpose cannot come from any source other than the Government or the State Bank of Pakistan. If the bank feels that it has a responsibility to finance the jute traders through the commercial banks at bank rate and can do so without asking for any guarantee from Government, there is no reason why loans on the same terms and conditions should not be made available to the cooperatives from the same source for organizing the marketing of jute for the benefit of the farmers who form the bulk of our population and are truly considered to be the backbone of the nation.

FINANCIAL MANAGEMENT OF MARKETING COOPERATIVES IN WEST PAKISTAN

by
Manzoor Ahmed Malik

FINANCE IS REQUIRED by a marketing or organization for:

- 1) Business premises
- 2) Business equipment
- 3) Advances to farmer for:
 - a) agricultural operations including his household consumption needs
 - b) prepayment of price for produce entrusted for sale
 - c) prepayment for produce stored for disposal at a future date.

These are minimum requirements of a simple commission business in agricultural produce. The cooperative commission shops, sales societies and agricultural marketing societies of the pre-plan period organized in market towns were such businesses. Most of their business was conducted on hired premises. Generally speaking, their own capital sufficed for business equipment and advances against produce entrusted for immediate sale. Advances for agricultural operations were taken care of by village credit societies. Advances for produce stored for subsequent sale were financed by cooperative banks. With such arrangements made, the cooperative structure worked as a good buffer against exploitation by the moneylender and market dealer of those who preferred to use the limited services performed by marketing societies.

With the increase in population and changes in inheritance laws, holdings became smaller. The marketable surplus shrank and the ordinary farmer did not find it worthwhile to take his produce to the market. Once again, he reverted to his old habit of selling in the village to the village shopkeeper or the processor's collection agent. The marketing societies were reorganized and linked with the village society during the Second Five-Year Plan period. The credit society was designed as multifunctional: 1) to meet the credit requirements of the farmer in full, 2) to supply him with agricultural inputs, and 3) to serve as a collection and gradation centre for a marketing society in the market. This necessitated additional storage in the village as well as the market and a better qualified staff. The Government provided low-cost funds for godown construction in the market town and the village and subsidized the training cost and salary of the manager. The Government also provided low-cost funds to strengthen the capital structure of primary and secondary societies.

These measures increased the flow of credit in areas where cooperative banks were financially well off. In the field of marketing, however, the individual dealer and the processor proved too strong for the marketing coop. The scheme was revised in the Third Plan to provide for a more

generous grant for godown construction and in particular for installation of processing units. But in due course, the desire for increased agricultural production got the upper hand. Processing units intended to replace workshops were to be set up by marketing societies within the scheme for providing machine repair facilities (including tractors).

From the Second Plan onward, the State Bank of Pakistan also liberalized marketing finance. Besides advances to cooperative banks against government securities, the bank made provisions for crop loans and loans for the marketing of agricultural produce. In its action plan with the Third Plan, the bank committed itself to provide 50 percent of total short term requirements of the movement. This was a great step forward. Looked at in this perspective, it may safely be stated that our external finance, for short term credit including the finance for marketing, is very well provided for. What is wanting is perhaps the capacity of societies to take it and make the best use of it.

Outside borrowing goes a long way. But continued dependence on it in a big way is not helpful. It weakens the sense of ownership among members; it erodes loyalty and active participation. For sound development of the movement, it is essential that capital comes from grass roots. And it is possible if members of cooperative societies are assured of: 1) security, 2) efficient management, and 3) utility to them and the community.

SUGGESTIONS

Capital

- 1) Share subscription should be linked to the size of the farm.
- 2) Some percentage of the loan advanced may be applied towards share capital out of the amount advanced.
- 3) The amount of any dividend or bonus to members on society business should be retained for some time.
- 4) Government should continue share participation at the primary, secondary and apex levels for continued public confidence. At the primary and secondary levels, loans should be replaced by direct share participation. As there has been misuse in the past, this facility should not pass on as a matter of course, but only to selected cases

on the basis of a worthy record.

- 5) Members should have current accounts with primary societies to which sale proceeds of produce can be credited. Such deposit accounts with cooperative societies are to be kept in mind in determining credit worthiness.
- 6) The cooperative societies should not utilize members' deposits in day-to-day business without the consent of members.
- 7) Members should be ensured payment of dividends on shares and interest on deposits (as first charge on earnings of the societies).
- 8) A fixed but variable percentage of the net profits should go to a general reserve fund as security against bad or doubtful debts, etc. It is under consideration whether provision for such funds should be made after payment of a reasonable bonus or rebate (on other than credit business) or earlier.
- 9) It is under consideration as to what percentage of equity funds, namely share capital and reserve (of primary societies) should be invested in shares of marketing societies, cooperative banks and federations for supplies and whether they ensure the payment of dividends on such investments (by other institutions).

Financing

- 1) The reorganized multi-functional society should finance all operational, marketing and household requirements of a farmer. Loans, in turn, should be advanced according to the individual production plan and not necessarily against the tangible security.
- 2) Processing plants may perhaps be arranged on a contract or hire-purchase basis, provided the management ensures profitability of a venture and its managerial efficiency to their creditors.

Experience shows that capital is often misused or underused. It is not rotated as quickly as it is in the competing private sector. Cash budgeting may be helpful to ensure proper utilization of funds and their maximum rotation.

Proper reporting to the board of directors and the department about the targets and actual achievements at regular intervals and proper checks against misuse of cash are perhaps as important as initiative, drive and planning for more business with limited resources.

FINANCIAL ASSISTANCE FOR MARKETING AGRICULTURAL PRODUCE IN IRAN

by
Mansour Emami

FINANCIAL ASSISTANCE for marketing agricultural produce in Iran is rendered in two ways:

- 1) Through government organizations and banks
- 2) Through the private sector and owners of "maidans" (fruit markets).

GOVERNMENT ORGANIZATIONS

Government organizations rendering direct financial assistance in the marketing of agricultural produce consist of:

- a) The CORC, which makes advance payments and loans through rural cooperative societies and rural cooperative unions for the purchase of agricultural products, especially rice, grains and citrus fruits, as well as the provision of the requisite facilities for marketing. Later a part of these loans is used by the farmers for meeting special marketing requirements, and a portion is spent by the cooperative unions or societies for the establishment of storage facilities and installations for the preservation of agricultural products.
- b) Government organizations affiliated with the Ministry of Agricultural Products and Consumer Articles such as the Tea Organization, the Grain Organization, the Sugar

Organization, the Iranian Tobacco Company, the Pasteurized Milk Company, the Meat Company, and the Cotton Organization.

These organizations make advance payments and loans to producers of agricultural products and help them in producing, collecting and delivering their goods. They also take extensive measures in the storage and conversion of raw materials to food and industrial products.

In addition to these organizations, others in the food industry, affiliated with the Ministries of Economy and War (ETKA) take certain measures for manufacture, conversion and marketing of manufactured food articles such as preserved fruits, certain items of dried fruits and olive oil.

- c) The Agricultural Cooperative Bank, which meets the financial requirements of farmers on a wider scale. Manufacturers can take advantage of the credit and financial facilities of this bank by making direct application thereto.

In this connection, the creation of citrus gardens in the north of Iran, and the erection of conversion and packing factories for citrus fruits could be mentioned as

instances of these aids. (This bank was formerly known as Agricultural Bank of Iran, but recently certain amendments were made in its statutes and its title was changed to Agricultural Cooperative Bank. It was charged with the task of granting loans to rural cooperative societies and unions.)

- d) The Industrial Development Bank, which meets the financial requirements of factories and concerns for conversion and preparation of food articles and makes available large-scale credits to them. Applicants can meet their financial requirements by submitting their projects for approval by the bank.

PRIVATE CONCERNS AND FRUIT MARKETS

The major portion of the financial requirements of farmers and owners of small gardens is

met by fruit wholesalers, owners of fruit markets (maidans), and commissioners dealing in the purchase and sale of agricultural products in large fruit markets.

Presently the fruit wholesalers and commissioners are playing an important role in the agricultural economy and in the marketing of agricultural products. They are very effective in the production of agricultural products because they easily meet the financial requirements of small farmers and garden owners without official formalities and bureaucracy. It should be noted however that this system entails certain losses and damages to producers of agricultural products, viz. the very high rate of interest charged to the recipients of loans who are compelled to deliver their products to fruit wholesalers. In certain other cases additional expenses are borne by producers who receive loans from these agents. Consequently, the above agents pocket the lion's share of the profits which should be accrued to the producers.

FINANCIAL SITUATION OF MARKETING COOPERATIVES IN TURKEY

by
Rifat Unaydin

THE MAJOR institutional source of credit for the Turkish farmer is the Agricultural Bank of the Republic of Turkey, through agricultural credit cooperatives, and agricultural sales cooperatives.

There are a few private institutions granting loans to farmers, usually organized by farmers growing special types of agricultural products. Examples of these types of organization are:

- 1) The Grape Growers' Bank established in Manisa Province. It grants credit to the grape growers of the area, but it has only a few branches and its credit is limited.
- 2) The Tobacco Growers' Bank of Akhisar, which deals with tobacco and cotton growers. It has limited assets.
- 3) The Sugar Beet Growers' Cooperative, which provides equipment, fertilizer and other operating needs of sugar beet growers. They work in close cooperation with sugar factories and get credits from them in cash and kind.
- 4) A few commercial banks also grant credit to cooperatives.

All of the above-mentioned organizations grant only short term operating credit for marketing.

The Agricultural Bank grants agricultural credit for the following general purposes:

- 1) Rounding off a farmer's working capital

- 2) Increasing and improving the agricultural output
- 3) Enabling the purchase of a farming unit, or of lands intended for its expansion
- 4) Making for easier and larger marketing and sale of produce.

SOURCES OF AGRICULTURAL CREDIT OF THE BANK

The sources of funds the bank transfers into agriculture are: the capital and reserves of the bank. The capital of the bank is made up as follows:

- 1) The capital it took over from the bank it replaced
- 2) Six percent of the land tax, earmarked for the bank
- 3) One percent of the state budget
- 4) Quarto to be set apart from the bank's annual earnings
- 5) Extraordinary allocations of the state
- 6) Bonds issued by the bank
- 7) The rediscount credit or advance from the Central Bank.

TERM OF FINANCE

The short term credit is directed to supplement the deficiencies in the working capital that is for

the purchase of commodities like seed, fertilizers, insecticides and labor. The duration cannot exceed one year. Usually it is adjusted to crop season. The loan is extended sufficiently in advance of the need and paid back at the sale season of the crop in question.

Intermediate term credits are intended to supply farmers with the means of production of longer duration like farming implements, livestock and machinery. The duration is five years. The loan is payable in installments and again at the yield season of the crop in question.

Long term credits are intended to meet the costs of soil improvement, irrigation, flood control, farm building, construction, the purchase of heavy machinery, improvement in land, setting up nurseries for fruit trees, vegetables, etc. The duration of long term credit cannot exceed 20 years.

TYPES OF SECURITIES (SURETIES)

For agricultural credits, the Agricultural Bank requires any one of the following sureties:

- 1) The assumption of liability by the agricultural credit cooperatives
- 2) The bills held in the portfolio of such corporations and bearing the signature of the partners thereof
- 3) The joint guarantee and counter-signatures of farmers
- 4) Land mortgage
- 5) To the extent allowed by the provisions of laws the pledge of pack, draft and plough animals, of farm cattle, and also of any farming implements and machinery
- 6) Transferable securities, and also any material guarantees, supplementing the foregoing sureties
- 7) The guarantee of the state or any local authority
- 8) Any standing or harvested crop.

The marketing cooperatives depend on the Agricultural Bank for all their financial needs and are generally guided by the Ministry of Commerce. The bank may lend to the unions but may not lend to the individual cooperative. Agriculture marketing cooperatives obtain credit from the Agricultural Bank.

The Agricultural Bank provides the agricultural sales cooperatives and their unions with monetary advances to be refunded after the sale of their products; open and debtor accounts for the same purpose; revolving funds to meet the

production costs; installation credit for the erection of factories, warehouses and other similar facilities, materials in kind for packing the products, for the spare part requirements of the factories and for the members' needs of fertilizer, pesticide and other implements of production, material and basic essentials, purchase credit for the above purpose; participation credits for enabling the member to buy shares in the aforesaid enterprises; trusteeship credit for the handling of the products and for facilitating the exportation and other disposal of the produce; and guarantee letters for backing up their long range commitment. The average rate of interest of these credits is 10.5 percent.

ACCOUNTING AND AUDITING SYSTEMS

These marketing cooperatives and their unions are audited by the Ministry of Commerce and the bank cooperative auditors. Audit is periodical; it is done regularly, usually once a year. Inspections are occasional. They take place when something goes wrong in a society, or when its creditors or its members ask for it, or prior to replacing the committee or liquidating the society.

Supervision is a continuous year-round process carried out by inspectors who visit the societies frequently, check their accounts, look into their business methods, rectify defects, suggest improvements and develop activities.

While audit and inspection are statutory duties of the government department concerned, supervision is a non-statutory function.

A new concept of planning for credit in cooperatives is now being studied and a new law is being prepared to provide adequate credit for all phases of agriculture from production through marketing.

At present, procedures are not completely adequate to assure a satisfactory standard of living for the Turkish farmer and the advancement of the agricultural economy of the Turkish nation. This planning is to be based on a supervised credit system to be administered by the Ministry of Agriculture and the Agricultural Bank.

At present the credit/production ratio in Turkish agriculture is not balanced to meet the technical advances that occur in Turkish agriculture. A balance must be made to assure efficiency. It is my feeling that if marketing cooperatives and production cooperatives are each provided with sufficient credit, the ratio can be balanced.

MANAGEMENT OF FINANCE FOR MARKETING COOPERATIVES

by
Matthew C. Wordsworth

THE HISTORY of the development of the present system of cooperative finance in Cyprus is interesting for the regional countries. During the depression, in the thirties, a debt settlement scheme was introduced on the understanding that the farmers would form themselves into cooperatives for their future protection. They formed a large number of village credit societies. These now cover every village (Turkish and Greek) in Cyprus, and a group of the credit societies very early created the Central Cooperative Bank to handle their business. This bank was set up not only to arrange credit for the village societies, but also: a) to create capital by getting investments from members and non-members, b) to buy and supply to members all necessary agricultural inputs, and c) to finance marketing of outputs, including export marketing.

The officials of the bank, headed by Mr. Kanaan, a Turk, worked closely with the Department of Cooperatives, of which the registrar in those early days was Mr. Surridge, an Englishman. They decided to create marketing unions of cooperatives on a commodity basis for handling the more important crops. Thus a pyramid was formed (and this pattern has been kept) of the bank at the top, with unions for marketing and various supply organizations working at the next

level, and, at the bottom, village credit societies handling savings and credit on their own account and dealing directly with the bank on these subjects, but acting as agents for collection, distribution and payment for the supply and marketing organizations. From marketing payments, of course, the credit societies took back the money owed to them from loans, which in many cases had been guaranteed by sale contracts.

The marketing unions are now very big and undertake processing and export on a considerable scale. Their recent processing plants have been financed through the bank, from government development funds. This has been the pattern of finance for marketing in much of Europe. Short and medium term credit for marketing has come from within the cooperative movements through its central banks, but the long term funds for often expensive plants have tended to come from government funds at rates of interest usually below market rates. This is regarded as a reasonable subsidy for agriculture.

It will be realized that the Cyprus marketing unions, handling their particular commodity from many different places and often carrying out quite complicated processing, need skillful management. For instance SODAP handles wine

or alcohol making, and also exports both raw grapes and the various processed products (raisins, wine, alcohol, and so forth). It has used expensive and skilled managers. The managers at first had to be recruited from the business world, but a programme of training, especially for young employees, was started and carried out efficiently. Many of these trainees have, over the years, been snapped up by ordinary businesses, but this exchange of management personnel with competitors cannot be avoided.

The amount of capital the Cooperative Central Bank has managed to create through savings is a remarkable feature of the Cyprus movement. These funds have come from shares and deposits. The deposits are often from non-members and are often for fairly long terms, so that they can be used in medium term loans. Because the village credit societies were so successful at attracting savings from people in their areas, there has never been in Cyprus any post office or other government savings scheme. There was no need for it. The bank has also made steady profits on the supply side of its work. These profits, with the reserves and other funds of the member societies, have enabled it to finance storage and other short and medium term marketing expenses. The bank has also used contracts, warehouse receipts, and so forth, as paper upon which to raise loans in the commercial market. Because of its high rate of savings and deposits it has also always been able to borrow for seasonal purposes from commercial banks.

The bank has always given two services to its members. These are advice on the handling of their own accounting procedure and research and advice about marketing problems and opportunities. In this work it has been closely linked with the Department of Cooperatives, so much so that private business interests in Cyprus have

complained of what they consider undue technical aid by a government department to their competitors, the cooperatives. The Cooperatives Department has always regarded itself and been regarded by the cooperatives as part of the cooperative movement, partisan in its favour and by no means a neutral government department. This has been a big factor in the success of the cooperatives and has, in the long run, been in the national interest, socially and economically. Their competition has stimulated private business, which is flourishing, and it has made sure that the legitimate needs of the producers are protected, but it has not caused a monopoly position to come into being.

The pattern of cooperative finance for marketing in Cyprus is similar to the pattern in France and a number of other European countries, except that the Cyprus Central Cooperative Bank was started without direct government aid and so is free of government control. In this it is ahead of the *Crédit Agricole* in France. In recent years it has been the agency for handling long term development finance for marketing, made available by the Government, and in the last year it has been amalgamated with the government-run Agricultural Bank, whose functions of lending in the private sector, and also for long term projects secured by mortgages, it has taken over. This has meant economy over branches, staff and so on, and has cut out the possibility of overborrowing by individuals who were perhaps borrowing from both sources in the past.

There may be parts of the Cyprus experience which are relevant to the problems of the regional countries. The most significant features of the Cyprus set-up for regional countries may be: a) the links between credit, supply and marketing, and b) the creation of cooperative capital by the strong savings movement.

APPENDIX I:

BACKGROUND PAPERS

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AGRICULTURAL COOPERATIVE MARKETING IN PAKISTAN

by
A. M. Chaudhri

MARKETING is a very comprehensive term embodying varied functions. The surpluses of individual farms or farmers are collected and gathered in a wholesale market; the supply of farm products is adjusted to demand, either by drawing upon previous stocks or withdrawing a portion from the supplies; and finally, the required quantities and qualities are made available to the consumer. Several functions are performed in the course of these operations. They are: 1) assembling, 2) storing, 3) financing, 4) standardising, 5) selling, and 6) transporting. Individually, the small or medium-scale producer is seldom in a position to undertake or influence these operations. All or most of these are usually attended to, or controlled, by a different set of persons or organisations. Very few primary producers have direct access to the commodity markets; the more they depend upon the middlemen, the less the net return to them. Often, the middleman combines a number of functions: while he may act as an intermediary for the disposal of the agricultural produce, he might also lend money and supply the farm requisites and even household goods. Under such a system, the agriculturist becomes so tied to the middleman that in the final analysis he fares little better than an employee of the latter. Working

under various conditions of indebtedness, obligations and exploitation, he loses his economic freedom, and ultimately even his interest in agriculture. Thus, establishing a direct relationship between the producer and the market is an object of great social and economic importance.

Since the last war, far-reaching developments have taken place in a number of countries in respect to land reforms and land tenure. Arrangements have also been made to facilitate the provision of credit and increased technical knowledge in order to increase efficiency and production and lower costs. Advisory and other services have been provided in order to achieve these objectives. However, these actions may not be of much ultimate advantage to the producer in case the net return to him is not commensurate with his efforts. Under the present system, with a multiplicity of middlemen, the marketing charges are high, leaving a small margin for the primary producer. The reasons for the wide prevalence of high charges for marketing and processing services are several. The wide scatter of farms; the small sizes of the individual lots of produce; their variability in quality and quantity; poor transport facilities; inadequate development of market information service; lack of capital for storage and processing facilities — all these render ef-

efficient marketing and processing difficult or impossible in many countries.

In many areas, and in respect to a number of products, the high marketing charges may be the result of a lack of competition among traders and processors, thereby resulting in monopolistic or semi-monopolistic conditions which are not conducive to economy in the costs of marketing. This imperfect competition may result from the establishment of a few large-scale processing plants. Whenever the utilisation of the agricultural produce is ultimately controlled by a few big buyers and manufacturers, they tend to dictate monopolistic terms, involving the depression of prices to the primary producer and the charging of optimum prices for the finished articles from consumers. Inadequate competition may also be due to certain specialised or highly technical services which are not freely available to all persons in the field. This would include cold storage, specially adapted transport arrangements, expensive or intricate machinery for handling and packing, etc. When these services are available their owners often require long term arrangements thereby binding the parties concerned for an appreciable period of sale policies.

The present system of marketing in the country is defective and wasteful because of the unorganised character of the markets and the multiplicity of middlemen and agencies operating there. It has resulted in the exploitation of the agriculturist because of his weak bargaining power, lack of education and knowledge of market conditions.

In addition to the lack of holding power, the agriculturist suffers from other serious disabilities as well. Storage capacity is not readily available to him. He is unable to take the produce to the wholesale market, because of his small marketable surplus and heavy transport expenses. Arbitrary and unauthorised charges are levied in the market, and deductions are made for various reasons. The prices prevailing at important markets seldom reach him through a neutral agency, thereby leaving him at the mercy of the middleman. Weights and measures are also often unreliable. The removal of these handicaps is necessary in order to enable the grower to receive for his produce a bigger and fair share of the price ultimately paid by the consumer or manufacturer. Unless this incentive is provided, it will be futile for the agriculturist to put in additional time, money and effort in agricultural operations. Apart from measures like the establishment

of regulated markets, provision of marketing credit, standardisation of weights and measures and prescribing of grade specifications, it is necessary that the producers' organisations should be established with a view to facilitating and even undertaking the marketing and processing of agricultural crops on their behalf and in their interest. At present, services in respect to processing are performed by private interests and individuals and must be paid for. As these services are essential for satisfactory and orderly marketing, they cannot be dispensed with. Therefore, the question is not of doing away with them, but one of integrating and improving the services in the interests of the primary producers with maximum advantage to them.

This objective can be achieved through marketing cooperatives. These societies can contribute by: 1) facilitating marketing operations through the provision of basic services like transport, storage, information, standardisation and credit, 2) enabling large-scale business operations in the interests of the producers, thereby leading to efficiency and economy in handling marketing, transport, management, etc., and 3) ensuring that monopoly powers are not used against the interests of producers or consumers. Cooperatives are more suitable for such operations than direct government organisations. However, cooperative societies can prove superior to private traders only if their members fully understand the principles of cooperation, appreciate the business problems involved, and their interest and loyalty are assured. Another important advantage which a cooperative organisation enjoys is that it can effectively bring about an adjustment of marketing practices and provide information services. Cooperatives can also provide guidance in respect to market demand and the qualities required to meet it.

As against these advantages and possibilities, it is necessary to take into consideration the other side of the picture. Cooperative societies can suffer from serious handicaps in the marketing of agricultural produce. While a private trader has to make his own decisions and assess the risks involved in business operations, there might be a tendency to curb the initiative and freedom of action and decision of the manager of a cooperative. Actually, this leads to a dilemma: if the manager or an executive officer of a society is invested with sufficient business authority and discretion, there can be some risk of its abuse, particularly in an undeveloped society, where such a person functioning in the rural areas could not be edu-

cated enough or paid a high salary. The sharing of business responsibility with a committee or office bearers would lead to confusion and even shirking of duties, which would affect business operations. Cooperatives could of course rely on the services of government officials lent to them or paid directly by the government. This would obviously lead to either dual control, or no control at all by the cooperative. A village businessman is in fact a multipurpose institution: he purchases the produce of the locality, sells the goods needed by the local population and enters into credit operations as well. These many-sided activities keep him fully employed during the whole year and also increase his turnover. Moreover, various activities undertaken by him help in providing fresh business.

The answer to this can be a multipurpose cooperative society. Its operations will, however, be more complicated than those of single-purpose society. There will also be a danger that the requirements of staff might result in heavy overhead costs. In addition, sufficiency of capital, price risks and inexperience have to be taken into account. The operating costs can be reduced through voluntary service of members, but this economy might be of doubtful value because a considerable number of members in the rural areas are poor and illiterate and inexperienced in matters relating to the sale and purchase of different commodities. Obviously, efforts at organising marketing cooperatives will arouse the antagonism of private traders. They might combine, and even indulge in a price war in order to defeat the cooperatives. There have been instances in certain countries where traders combined in order to make it difficult for cooperatives to operate successfully. Generally speaking, loyalty among members is also not a strong point among the cooperatives of the country. The proper organisation of a marketing cooperative is, therefore, of fundamental importance. Considerable thought must be given to what form it should take, what should be its scope, affiliations, etc. As in other cooperative activities, for example, credit and supply, it is possible to have three types of marketing cooperatives: 1) independent marketing societies existing separately and following individual policies, 2) marketing societies functioning as branches of a central or provincial organisation, and 3) independent marketing societies at the primary level with unions or federations at secondary or tertiary levels. The first type of cooperative will obviously be too weak to have an ef-

fective voice in the overall marketing system of the country. The annual turnover of each society will be small and the membership and financial resources rather weak. A number of such ineffective small units will not lend any strength to the movement nor render effective service to the people. In the second type of marketing society, while it may be possible to achieve business efficiency and good results through centralised control and management, local association of the members and initiative will be lost and the institution will function like any other form of business office.

The third type of cooperative will have the advantages of independent units inasmuch as there can be association of the people, creation of leadership, pooling of their savings and possibilities of voluntary work. In addition, a federation can be established at the apex level which can impart strength to the small local units, and assist in various forms. Bulk purchases and sales will be possible and large contracts can be secured. There may be economy of large-scale operations, and it will be possible to employ qualified, well paid staff, render advisory and technical services, provide guidance, arrange instruction for the primary units, etc. No doubt this would require considerable effort and planning, and if the federations are to succeed, the primary units will also have to improve their efficiency, and ensure solidarity among them and loyalty among members. Moreover, the higher the nature of an organisation, the greater will be the need for specialised and technical staff.

It is evident that cooperative marketing bristles with problems and difficulties. Private enterprise is already well entrenched, and hurried action is to be avoided as there is danger of not only disrupting the existing system without providing a simultaneous and satisfactory substitute, but there will also be considerable risk for the cooperatives if they are established in large numbers in haste. Therefore, the approach should be extremely careful and cautious, and the elimination of the middleman a gradual process. Meanwhile, arrangements for training the personnel of the marketing cooperative should be made at various levels so that qualified and suitable persons are available as the movement grows. Secondly, an educational campaign should be undertaken to convince the people of the advantages of a cooperative system of marketing, and to enroll them as members. The educational programme should also deal with various techniques of marketing and terms of business. For example, it will have

to be decided whether the produce of a member should be purchased outright by the society, the market price paid in cash for it and a patronage dividend given at the end of the season or year in proportion to the quantity supplied. Or, the produce may be supplied by the member for sale on a commission basis, in which case the society could advance a certain proportion of its value at the time of delivery, the balance of payment to be made after it has actually been sold. This system would raise a number of issues. Among them is the question of whether the produce belonging to each individual should be kept separate so that its identity would not be lost. Who would decide the time of sale of the individual lots? Should the price at which sale can be effected be determined by each individual, or should it be left to the discretion of the manager, and so on.

The marketing process is often considered incomplete unless it includes or leads to processing as well. The nature of agricultural produce is such that its sale in the primary state or original condition does not bring a satisfactory return, as the commodity is not consumed in that particular form. This applies to numerous commodities such as wheat, rice, oilseeds, cotton, jute, tea, sugarcane, copra and spices. It is essential, therefore, that the primary produce should be processed, or converted into forms which are acceptable to consumers and which would be ready for use or consumption. Much of the price spread between the producer and the ultimate consumer is attributed to the cost of processing and the profits of the individuals concerned. In order to reduce these costs and enable the benefits to be passed on to the primary producer in the form of a better return for his supplies, or to the consumer through a reduction in price — or perhaps both — it is desirable that the cooperative societies undertaking marketing operations should give serious consideration to the processing of different com-

modities as well. Another advantage of processing is that the finished or manufactured product can reach the actual consumer, thereby publicising the activities of the cooperative movement.

Obviously, the undertaking of processing operations is bound to involve complications and many technical problems. Questions of funds, personnel organisation, etc. will have to be attended to. The loyalty of members will be more important in the case of processing, as the lack of regular supplies might mean periods of idleness for the plant, or purchase of raw material in the open market, both of which would add to the cost. It is expected that the processing cooperatives will be established at the secondary or apex level. These may either be an extension of the existing marketing cooperatives or they may be established directly by the unions or federations of marketing societies; or they may be organised separately altogether for specific purposes. If a fair number of processing cooperatives are established in a particular field, it would be worthwhile for them to organise into a federation of their own. For example, if there are a number of rice husking cooperatives or oil crushing societies, their federations could assist them in large-scale purchases at economical prices, and also in bulk sales with the usual advantages resulting from such transactions. Similarly, technical and high-level staff can be employed by the federation, which could be made available for advice to the individual units. Advisory services, assistance in auditing, marketing of the processed articles, etc., could best be arranged by a central, well financed and efficiently managed organisation like a federation. Possibly it can help the federating units by arranging funds for them as well, and also establishing business relations with similar organisations and potential buyers or sellers in foreign countries.

AGENDA NOTES

by
Matthew C. Wordsworth

THESE NOTES are designed to help the panel to stimulate and guide discussion on the various subjects on the agenda.

FIRST DAY: MARKETING COOPERATIVES IN ACTION IN THE REGIONAL COUNTRIES

- A) PROGRESS) For local report
- B) PLANS)
- C) IMPEDIMENTS TO PROGRESS

1) *Vested interests and control of outlets* by middlemen, supply firms, moneylenders and so on.

2) *Lack of knowledge of outlets.* Directors of cooperatives are farmers, and do not take a primary interest in business matters, and they lack nerve for risk taking which, in any case, the financial structure of cooperatives makes inadvisable.

3) *Lack of capital.* Cooperatives are always short of capital because farmers have to use as much capital as possible in their own farm operations which means that marketing operations have to be financed on borrowed money. This often limits the marketing activities of cooperatives to essential services.

D) GOVERNMENT RELATIONS

1) *Privileges.* Cooperatives are sometimes granted cheap finance, use of government storage

at cheap rates and advantages from other government activities such as rail transport. These are subsidies for agriculture channelled through cooperatives.

2) *Marketing boards* are sometimes set up by governments to handle the marketing of certain crops, often of essential food crops or crops of special value to the export trade of a country. Cooperatives can often function well under the protection of such boards, and can act as collecting, grading and transporting agents for boards, and also as makers of advances to members against delivery of crops. A separate note on the Milk Marketing Board in the United Kingdom is attached.

E) BASIS OF OPERATION

1) *The availability or otherwise of finance* usually dictates the way in which a cooperative acts over marketing. When owned funds are short and marketing operations have to be limited to short term activity, the basis of operations is often the collection and grading for sale through a chosen commission agent. Assembly of crops from a group of farmers can give advantages of scale to marketing operations and a quick return by disposal of the produce in the nearest market.

2) If *longer term operations* are possible (when

finance is available) contracts between farmers and the cooperative for delivery of crops can be used both to give the cooperative a guarantee of a certain volume of produce which will be for sale at a certain time, and to give it paper which can be used to help borrowing to finance advances to farmers. It is also possible to use outright sale of crops by farmers to cooperatives as a basis of operation when there is enough money available. Outright sale does not preclude an extra bonus payment to farmers if marketing operations justify it.

SECOND DAY: MANAGEMENT OF MARKETING COOPERATIVES

A) BASIC REQUIREMENTS OF MANAGEMENT

1) *Planning*. In order to plan, the board (which has the responsibility for planning) must have information about market trends and about costs and the expected profitability of the various possible marketing operations. This information is gathered by management as part of its ordinary work and through research (see (c) and (f) below). But all cooperative planning over marketing must remember the limitations imposed by the cooperative form (see First Day (c)).

2) *Organizing*. This is a management activity of which result may be laid down in the charts, etc. described in (c) below. It is not, of course, static since different volumes of business or ways of operating mean that organization has to be kept constantly under review and this is a prime duty of management.

3) *Directing*. All direction must be towards objectives laid down in planning. It is therefore a joint board and manager operation. Within the limits of policy decided upon by the board, a manager must have a free hand to conduct his business. Some cooperatives have supervisory committees. Their functions should be limited to seeing that management keeps within the law, bylaws and policy laid down by the board. Where such committees do not exist, this duty of supervision is exercised by the board, but a danger in all cooperatives is that the board will go beyond its proper duty to lay down plans and see that they are carried out, and will try to interfere in the day-to-day running of the society. This weakens the manager's authority.

4) *Coordinating*. This part of management can greatly affect the profitability of a cooperative because there will be rather wide-spread operations in the assembly and transport fields and often needs for making payments (advances, etc.) away from the office. This requires careful

coordination. It may happen that primary societies act as agents for a marketing union over these first steps in marketing and, if so, they need coordinating.

5) *Controlling*. In a small society a manager will control all activities, but as societies grow bigger or undertake more complicated work, much control has to be left to departmental heads who are, of course, all part of management. For some reason, staff in marketing cooperatives seem more prone to cheat and to slack, and this needs a special watch. Control by local committees of members of local activities (weighing, grading, etc.) can often be useful when there are no primary societies to undertake this work. Control of accounts and their use as management tools and sources of information is important, but will be dealt with further under Finance (Third Day).

B) EMPLOYEES

1) *Selection*. In early days employees from the manager downwards will probably have to come from commercial pools and outside the cooperative ranks. It is easier to teach him to be a store-keeper (but do not forget to teach him - see (E) below). Generally managers should have a free hand in employee selection, but the policy of employee training and arrangements for time off for training must be supervised by the board, which should realize the importance to cooperatives of this sort of training. Future managers will come from the ranks of trained junior employees, and training will also help to build up that cohesion and loyalty which is so necessary in a cooperative. Staff relations with members are an important part of this work.

2) *Personnel problems*. These include general and personal problems. General problems of responsibility, hours of work, shifts, delegation of authority and so on are part of organization but personal problems also need watching. In a small business a manager is his own personnel officer, and he must see that his responsibility in this field is delegated to departmental heads when they exist. The modern conception of a business as a joint exercise in management which makes full use of human beings of differing skills and needs, means a lot of attention to personal problems.

3) *Compensation*. This covers all such matters as pensions, gratuities, health schemes and accident insurance. Laws in each country vary about these matters but because of the need to build up staff loyalty in cooperatives and to groom employees for future management posts, special attention to welfare is necessary. In most cases, cooperatives cannot afford to pay high salaries

and must make special efforts to give other benefits.

C) INFORMATION

1) In a cooperative *the producer is both the client and the owner* of the business and he therefore needs more information than a farmer selling to an ordinary business. Through the general meeting of members, which exercises the supreme authority in the society, and through the elected board, the members control the policy of the cooperative and it is their money which will be lost if the society fails. The producers, therefore, need market information both as sellers of produce in which the business deals and as owners of the business. This information must cover not only prices and market trends, but also costs and profits of different methods of marketing, processing and so on. This sort of information is needed for management decisions by the board, and it can only be provided by research. As cooperatives, by their form, are particularly vulnerable in case of risk, research is necessary for them. The art of management in marketing cooperatives is to sell the produce at the most profitable point which can be reached with the least risk and at the lowest expenditure of capital. (See also (F) below.)

2) *Dissemination of information.* Members need reminding that they are members of a cooperative and that they should use all its services to the full. This sort of information, with market trends, can be given through a link magazine which will also contain notices about dates of collections of produce, dates of meetings, advances to be paid, news of arrivals of goods and so on. Such magazines are usually distributed free to all members. Radio talks and other talks at meetings, etc. are also useful.

D) MANAGEMENT GUIDES

1) *Charts.* These are useful for reminding staff of routines and can also show graphs which help give an idea of the importance of work.

2) Operating procedures can be simplified and made easier to remember by *cards or manuals.* Even weighing clerks or truck drivers in a marketing cooperative have to carry out several tasks and clear instructions help them to remember to do them all and to issue the proper receipts, etc. in the proper form. In discussions about accounts this will be discussed further. At higher levels, manuals help define responsibility and avoid duplication or omission.

E) PUBLIC RELATIONS

1) *Relations with the general public* are designed to increase membership and the use of

cooperatives by those qualified and to help the trade of the society by advertising and other methods. In the past this was often left by cooperatives to government departments which have a responsibility for cooperatives, but this is not enough and cooperatives need to go after their own advancement.

2) *Relations with members* have already been mentioned. Briefly, the staff of a cooperative must remember that the members are also the owners and must encourage them in pride in this fact and in a realization that their profit lies in full use of the society. Care must also be taken in preparing informative reports for general meetings and such meetings may have to be held in several areas in the case of large societies. Local meetings can also provide an opportunity for members to make complaints and to ask questions about policy.

F) RESEARCH

The importance of research for cooperative management has been mentioned. Its results must be fed back to the board and management decisions have to be taken from it. Research also covers the use of accounts as management tools (see below Third Day (F)).

THIRD DAY: FINANCIAL MANAGEMENT OF MARKETING COOPERATIVES

A) TYPES OF CREDIT NEEDED

1) *Long term credit* is needed for expensive plant and equipment. This sort of credit is difficult to find at rates that are economic and it is, therefore, often provided by governments from special development funds at low rates of interest. This is done in France and Cyprus.

2) *Medium term credit* needed for the purchase of equipment with a shorter life, such as trucks, is often required when cooperatives start work.

3) *Short term funds* are needed to enable cooperatives to pay advances on crops, costs of storage, marketing, etc.

B) SOURCES OF FINANCE

1) As we have seen, *long term finance* is hard to find except from special development funds.

2) *Medium and short term finance* should be available from commercial sources if a cooperative is properly organized. This means a sufficient amount of share capital and reserves to make the business stable and credit-worthy and a proper system of inventories of crops on hand and of contracts for crops to be delivered to enable them to be used as security for loans. Management of storage, contracts, etc. is an important factor in credit. The terms of finance will be dealt with

under (E) below.

C) MANAGEMENT ASSISTANCE OFFERED BY BANKS

Commercial banks are often ready to offer advice on methods of account keeping, etc. and the Central Cooperative Bank in Cyprus and the *Crédit Agricole* in France go further and offer advice on accounts, research and technical problems. In France there are three special bodies to give technical advice and help.

D) TYPES OF SECURITY OFFERED BY COOPERATIVES

1) In several countries governments offer the cooperatives an *inspection and guarantee service* over crops in store and they also sometimes offer storage facilities and issue storage receipts which can be used as security.

2) Other security can be given by *guarantees of payment* of money by each member in excess of his share holding, if such share holding is below a certain sum. This guarantee, realizable only in case of bankruptcy, can give extra borrowing power to a society. In some countries debenture shares are also issuable.

E) TRENDS IN INTEREST RATES

A well managed cooperative can often borrow at lower rates than other borrowers, but management is responsible for watching the trend to see that they do not get left holding loans at higher rates than currently operate. Because of the difficulty of these negotiations, cooperatives are often well served by setting up special finance central bodies to conduct their affairs.

F) ACCOUNTING AND AUDITING SYSTEMS

1) Management must be responsible for seeing that *the accounts system* gives a clear record of what happens to money and also provides information about the profitability of the whole business and of its various parts, to show which are profitable and which are not.

2) In a marketing cooperative, *accounts are built up* from records of many small transactions often conducted by truck drivers or weighers or storemen in different places. It is very important to have simple and clear books of first entry for these transactions. They must also be cross-checked, daily if possible.

3) *The audit*, conducted by outside auditors, will give a picture of the financial position at the end of the year but this is not enough for proper management which should see that internal audits are conducted periodically or, better still, go on all the time as "running audits." These audits check accounts against one another and provide both a safeguard against cheating and an early-warning system of trouble over finance.

HISTORY OF THE MILK MARKETING BOARD IN THE UNITED KINGDOM

The Milk Marketing Board was set up under the Milk Marketing Scheme of 1933 (amended in 1955) and the scheme was given legal sanction by powers granted to the Minister of Agriculture under the Agricultural Marketing Act. The scheme was a voluntary one which came into force when it was accepted by a poll of all the registered producers of milk for sale.

Under the scheme a board was created to handle the business of marketing milk. This board has powers to make "prescriptive resolutions" which are enforceable by law. It is a body corporate and acts as a business organization. Its constitution makes it a democratic organization elected and controlled by the registered producers of milk.

The board consists of 12 members elected to represent the producers of the 11 regions (one region has two members) and of two representatives of the Ministry of Agriculture. An executive committee of the board of seven members, of whom one is an official member, carries out the main direction of the work and there are other committees for special work. In each region there is a regional committee composed of the regional member of the board and of county representatives from the counties which are included in the region. These regional bodies carry out the work that would, in a cooperative, be done by the general meeting, but there are also county meetings of registered producers at which policy is explained and problems are discussed. These meetings have no powers but can forward resolutions to regional committees. Election of all representatives (at both board and regional level) is by poll of registered producers.

The board's funds come from a levy on all producers not exceeding $\frac{1}{4}$ d. per gallon of milk sold and from various other levies, as well as from profits on trading. The main power of the board is to regulate marketing and all producers have to sell their milk in one of the ways approved by the board. The main way is by sale to commercial enterprises (of which the Cooperative Wholesale Society is one of the biggest) and most producers have a contract for sale to the nearest depot. The board is a party to all such contracts. The price paid to the producer is a pool price for each region and is adjusted monthly according to the prices received for milk. The board has a joint committee with the Central Milk Distributive Committee, which is the body set up by the manufacturers and distributors. The board has the right, after consultation, to specify the pur-

poses for which milk may be used and to control the amount of milk used for each purpose (for liquid sale, for manufacture into cheese, butter, ice cream, etc. and for processing into dried and other products). The total price realized for milk used for all these purposes is put into a regional pool and from it payments are made to the producers.

Apart from its work in marketing milk, the board carries on a number of subsidiary opera-

tions of which by far the biggest is its network of artificial insemination stations. These are financed by the board but the regional and county committees play a considerable part in the selection of the bulls and so on. The board also has powers to lend money, organize cooperatives of producers, process fodder crops, inspect dairies, research into methods of milk production, recording and account keeping and generally do everything to help producers.

APPENDIX II:

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LIST OF UNITED STATES-SPONSORED CENTO ECONOMIC PUBLICATIONS

- *1. Seminar on Cattle and Sheep Breeding, 1959
- *2. Seminar on Land Classification and Soil Survey, 1959
- 3. Seminar on Forestry, 1959
- *4. Conference on Minerals, 1959
- 5. Progress Report, Coordinating U.S. Action for CENTO, 1959-69
- *6. Conference on Development Programming, 1960
- *7. Symposium on Chrome Ore, 1960
- *8. Conference on Teaching of Preventive Medicine, 1961
- *9. Conference on Industrial Development Banking, 1961
- *10. Symposium on Coal, 1961
- *11. Progress Report, Coordinating U.S. Action for CENTO, 1961-62
- 12. Traveling Seminar for Increased Agricultural Production, 1962
- *13. Conference on Agricultural Development Banking, 1962
- *14. Conference on National Income Accounting, 1962
- *15. Conference on Development Planning, 1962
- *16. Conference on Teaching Health Centers, 1962
- *17. Conference on Industrial Development Banking, 1962
- *18. Conference on Establishment of National Scientific Organizations, 1962
- *19. Symposium on Industrial Rocks and Minerals, 1962
- 20. Seminar on Cost and Return Ratios for Major Agricultural Products, 1963
- 21. Conference on Teaching of Science, 1963
- *22. Symposium on Rural Development, 1963
- *23. Symposium on Iron Ore, 1963
- *24. Symposium on Consumer Expenditures, 1963
- 25. Conference on Agricultural Development Policy, 1963
- 26. Symposium on Management Training in Public Administration, 1964
- 27. Conference on Nursing Education, 1964
- 28. Conference on Hospital Administration, 1964
- 29. Traveling Seminar on Range Management, 1964
- *30. Conference on Manpower Needs and Training of Environmental Sanitation Personnel, 1964
- *31. Symposium on Mining Geology and the Base Metals, 1964
- 32. Traveling Seminar on Agricultural Credit and Cooperatives, 1964
- 33. Symposium on Industrial Statistics, 1964

34. Symposium on Scientific and Industrial Research, 1964
 - *35. Second CENTO Veterinary Pathology Seminar, 1964
 36. Symposium on the Role of Local Government in National Development, 1965
 - *37. Symposium on Tax Administration, 1965
 38. Symposium on the Development of Capital Markets, 1965
 39. Traveling Seminar on Veterinary Education and Animal Health, 1965
 - *40. Traveling Seminar on Fresh Fruit and Vegetable Marketing, 1965
 - *41. Seminar on Field Techniques for Mineral Investigation, 1965
 - *42. Progress Report, Coordinating U.S. Action for CENTO, 1962-65
 43. Symposium on Hydrology and Water Resources Development, 1966
 44. Conference on Land Classification for Non-Irrigated Lands, 1966
 45. Symposium on Household Surveys, 1966
 46. Summer Training Program in Geological Mapping, 1966
 47. Traveling Seminar on Farm Tools and Implements, 1966
 48. Symposium on Mine Health and Safety, 1966
 49. Conference on Engineering Education, 1966
 50. Conference on Agricultural Extension, 1967
 51. Traveling Seminar on Processing and Marketing of Fruit and Vegetable Products, 1967
 52. Summer Training Program in Geological Mapping, 1967
 53. Conference on National and Regional Agricultural Development Policy, 1967
 54. Symposium on Agricultural Statistics, 1967
 55. Traveling Seminar on Marketing of Livestock and Livestock Products, 1967
 56. Conference on Combating Malnutrition in Preschool Children, 1968
 57. Symposium on Development and Utilization of Mineral Resources, 1968
 58. Conference on Industrial Vocational Education, 1968
 59. Conference on Earthquake Hazard Minimization, 1968
 60. Report of the Ad Hoc Working Party on Fertilizers, 1968
 61. Symposium on Demographic Statistics, 1968
 62. Decade of Development, a Ten-Year Compendium, 1959-69
 63. Progress Report, Coordinating U.S. Action for CENTO, 1965-69
 64. Geology and Ore Deposits of the Lakan Lead-Zinc District, Iran, 1968
 65. Symposium on Manpower Planning and Statistics, 1969
 66. Conference on National and Regional Livestock Development Policy, 1969
 67. Conference Series on the Teaching of Public Health and Public Health Practice, 1970
 68. Conference on Broadening Equity Investment, 1970
- *Out of print
- The above list includes all publications issued by the Office of the U.S. Economic Coordinator for CENTO Affairs. Most of the older books are now out of print and no longer available. However, copies of those still in stock may be obtained by writing to:
- Office of the U.S. Economic Coordinator
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Ankara, Turkey
- or requested from Pakistan or Iran, by writing to:
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