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Consultancy Report  
***Organizational and Training Needs Assessment for Smallholder Burley  
Tobacco Clubs in Malawi***

***Malawi: Barley Production Marketing Study  
Contract Number: OTR-0192-A-00-9052***

Prepared for:

Ministry of Agriculture , Republic of Malawi  
and  
The United States Agency for International Development

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December 1992

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**ORGANIZATIONAL AND TRAINING NEEDS ASSESSMENT  
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**SUMMARY**

Burley tobacco continues to play a vital role in the Malawian economy. The total number of small farmers involved in burley production and marketing has increased from 7,000 in 1991 to 23,000 in 1992 with the increase in the smallholder burley quota to 3.5 million kilograms. The number is expected to climb to 30,000 in 1993 when the smallholder quota is raised to 7 million kilograms. A previous study was conducted to evaluate the marketing process of smallholder producer associations, or burley clubs. The purpose of this current consultancy is to continue assessment of the smallholder burley clubs and to survey their organizational and training needs.

Analysis of the 1991-92 season data show that registration of burley clubs and quota allocation are still issues that need to be addressed. Local anomalies in the size of individual quota and discrepancies between club quotas and the sum of individual quotas were identified. Unfortunately, total quota was based on estimates that were later abandoned rather than the declared intentions of the growers themselves. However, a completely thorough evaluation of the 1991-92 season was hampered by the lack of available data. It is recommended, therefore, that a permanent office responsible for the collation of smallholder tobacco statistics from all sources be put in place, ideally located in the Tobacco Control Commission.

No legislative authority for the existence of smallholder burley clubs, as they are currently organized, was discovered. Alternatives to achieve a more formal status were reviewed. If it proves necessary for the burley clubs to seek legal registration, the Co-operative Societies Act appears to provide the necessary guidance and structure. However, there is no apparent self-defeating structural weaknesses of the clubs. The clubs have access to farm supplies on credit through the Smallholder Agricultural Credit Administration (SACA), but plans for the re-structuring of SACA are a major concern.

The smallholder burley clubs are in great need both of leadership and management training. Club officers are much more concerned with crop management rather than business management. For clubs to be commercially-viable and enable them to provide needed services to their members, training in book-keeping and maintenance of a proper record keeping system is also needed. To achieve these ends, further technical assistance is recommended to improve the operational procedures of the clubs and to ensure the quality and effectiveness of training methods.

**LIST OF ABBREVIATIONS**

<b>ACDI</b>	-	<b>Agricultural Cooperative Development International</b>
<b>ADD</b>	-	<b>Agricultural Development Division</b>
<b>ADMARC</b>	-	<b>Agricultural and Development Marketing Corporation</b>
<b>AHL</b>	-	<b>Auction Holdings Limited</b>
<b>ASAP</b>	-	<b>Agricultural Sector Assistance Program</b>
<b>EEST</b>	-	<b>Estates Extension Service Trust</b>
<b>EPA</b>	-	<b>Environmental Planning Area</b>
<b>GoM</b>	-	<b>Government of Malawi</b>
<b>MK</b>	-	<b>Malawian Kwacha</b>
<b>MoA</b>	-	<b>Ministry of Agriculture</b>
<b>MoTIT</b>	-	<b>Ministry of Trade, Industry, and Tourism</b>
<b>MUSCCO</b>	-	<b>Malawian Union of Savings &amp; Credit Co-operatives</b>
<b>PIC</b>	-	<b>Project Implementation Committee</b>
<b>RDP</b>	-	<b>Rural Development Project</b>
<b>SACA</b>	-	<b>Smallholder Agricultural Credit Administration</b>
<b>SHMPA</b>	-	<b>Shire Highlands Milk Producers Association</b>
<b>TAMA</b>	-	<b>Tobacco Association of Malawi</b>
<b>TCC</b>	-	<b>Tobacco Control Commission</b>
<b>USAID</b>	-	<b>United States Agency for International Development</b>

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## **1. INTRODUCTION**

### **1.1 Purpose of the Consultancy**

**1.1.1** ACDI has been providing technical assistance to smallholder burley tobacco clubs in Malawi under its Cooperative Agreement Number OTR-0192-A-00-9052-00 since February 1992. The purpose of the current consultancy has been to: 1) continue assisting them in streamlining, standardizing, and strengthening their marketing systems; 2) assess their needs in terms of the organizational structure, legal status, management and accounting systems, and training programs required to operate effectively as commercially viable businesses; and 3) present recommendations on the key actions required to meet those needs over the next three years.

**1.1.2** The background of the program and results of work prior to the current consultancy have been amply covered in the "Consultancy Report on Smallholder Burley Marketing for the Agricultural Sector Assistance Program" published by ACDI in October 1992 (referred to as the ACDI SBM report). Consequently, this report will not dwell on issues covered therein.

### **1.2 Methodology**

**1.2.1** The scope of work for this consultancy called for a Smallholder Marketing Specialist and a Smallholder Organizational and Management Specialist for one month each to complete a needs assessment for the smallholder clubs in the areas of organizational structure, legal status, management and accounting systems, and technical and managerial training requirements. Specific tasks were to include: 1) an evaluation of the 1991-92 burley marketing season; 2) a review of smallholder club legal status; 3) a rapid appraisal of marketing, management, and organizational aspects of at least 20 smallholder burley clubs; and 4) a needs assessment for further training and technical assistance to burley clubs in areas of marketing, management, and organizational structure and process.

**1.2.2** In carrying out this scope, the consultants made use of techniques in rapid, low-cost data collection as recommended by USAID,<sup>1</sup> specifically:

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<sup>1</sup> Krishna Kumar, Rapid, Low-Cost Data Collection Methods for A.I.D.: AID Program Design and Evaluation Methodology Report No. 10, Agency for International Development, Washington, D.C., December, 1987.

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**Key informant interviews.** These interviews involve in-depth discussions on a specific topic with knowledgeable persons in order to obtain data, opinions, and perspectives on a topic. An interview guide listing the main topics and issues to be covered is sometimes used to guide the discussion.

**Community interviews.** Community interviews take the form of community/village meetings open to all members. Interviews are usually conducted by a team of two or more investigators, who follow an interview guide. Community interviews can also be used to obtain community-level statistical data.

**Direct observation.** This method involves intensive and systematic observation of a phenomenon or process in its natural setting. It is not, however, as elaborate a method as participant observation, which is used in ethnographic studies. In the study of social and economic phenomena, direct observation usually requires the interviewing of key informants as well.

**Informal surveys.** Informal surveys differ from sample surveys in four respects: (1) they focus on only a few variables, (2) use a small sample size, (3) use non-probability sampling, and (4) permit more flexibility to the interviewers in the field. Informal surveys generate data that can be statistically analyzed.

**1.2.3** Consultants arrived in Malawi on December 1, 1992 and departed on December 19, 1992, so time for data collection was quite short. Nevertheless, it was considered quite important to get a good geographic spread for data collection, so burley clubs were visited in every part of the country excluding the very north and very south.

**1.2.4** Prior to beginning the field survey, consultants held key informant interviews with personnel of the Ministry of Agriculture (MoA), Ministry of Trade, Industry, and Tourism (MoTIT), USAID, World Bank, Auction Holdings Limited (AHL), the Smallholder Agricultural Credit Administration (SACA), the Tobacco Association of Malawi (TAMA), and the Malawi Union of Savings and Credit Co-operatives (MUSCCO). Also, two burley clubs in Kasumu were visited to get a feel for the issues to cover in questionnaires.

**1.2.5** Three questionnaires were developed to guide discussions in the field. The first was aimed at government (MoA) officials responsible for administration of tobacco

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programs at all three field administration levels: Agricultural Development Division (ADD), Rural Development Project (RDP), and Environmental Planning Area (EPA). The second was aimed at officers of burley clubs and the third at members of clubs. A special section of the members' questionnaire was aimed at female members. A review of responses is contained in Annex 4. The questionnaires were supplemented by two direct observation check lists: one for physical assets of burley clubs, the other for the books and records of the clubs.

**1.2.6** In selecting the clubs to visit, consultants were more interested in achieving maximum information to enlighten the needs assessment than in achieving a representative sample. The object was not to describe the general population but, rather, to discover problems requiring resolution. Thus, the sample was chosen to ensure inclusion of both very large and very small clubs. Clubs that marketed well at auction, clubs that did not do so well, and clubs that did not sell at auction were also included. So, too, were all-women's clubs. Clubs were chosen that exceeded quota as well as some that fell well short of quota. Selection was made based largely on AHL sales records with final selection made in consultation with local officials. Every attempt was made to avoid roadside bias. The field survey began on December 8, 1992 and continued through December 17, 1992. Cooperation by government and club officials and club members was remarkable and they devoted hours of their time to enlighten this study.

**1.2.7** Preliminary findings were reported to a meeting of the Project Implementation Committee (PIC) on December 18, 1992 and much good advice and useful discussion relevant to the topics of this study were provided. The attendance list for this session is Annex 5. Nevertheless, consultants take full responsibility for their errors and omissions.

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### 2. EVALUATION OF THE 1991-92 SEASON

#### 2.1 Introduction

2.1.1 The three marketing options open to smallholder burley growers and their clubs - auctions, ADMARC, and estates - result in production figures of declining transparency, in that order. Sales over the auction floors are superbly documented. ADMARC purchases are well documented but, as ADMARC farmer registration is independent of the club licensing system, sales to ADMARC are not easily related to club (or individual) quotas. In spite of the Agricultural Sector Assistance Program (ASAP) initiative, sales to estates still seem to be illegal. Though there is no doubt that this market is important, the scale of these underground sales is conjectural.

2.1.2 These problems have already been discussed in the ACDI SBM report, completed before the end of the 1991-92 marketing season. This section of the present report sets out, particularly, to assess the clubs' performance on their ultimate market, the auctions, now that the season's results are available. But some assessment of the other two channels is also needed.

2.1.3 The basic figures (given in detail in Annex 2) were:

Quota available - "Target"	3.501 million kgs		
Quota taken up - "Allocated"	2.442	" "	70%
of which:			
Sales through AHL	1.165	" "	48%
Sales through ADMARC	0.393	" "	16%
Balance - Estates (?)	0.884	" "	36%

2.1.4 It seemed clear to MoA field staff in early 1992 that uptake of the burley opportunity fell short of the 3.5 million kg target, for reasons which have been discussed elsewhere. March crop estimates indicated production of 2.4 million kgs and it was on this basis that quotas were supposed to have been allocated to smallholder clubs. As described in the ACDI SBM report, clubs were never formally licensed and so there is no clear baseline against which to check these figures. The USAID-sponsored

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registration package uncovered many discrepancies in this process.<sup>2</sup> These are apparent in the tables in the Annex 2. Below are some examples (see Tables A2.1, A2.2 and A2.3):

- Mzuzu ADD (MZADD): crop estimates were for 72 clubs to produce 315,000 kgs, as against a pre-season target of 582,000 kgs. All clubs were expected to sell on the auctions and, indeed, ADMARC did not buy burley in Mzuzu. In the event, only 64 clubs sold on the floors, yet their licensed weight, at nearly 650,000 kgs, was more than twice that estimated and, supposedly, allocated. What happened to the other 8 clubs and why did all clubs in Mzuzu, in the end, only sell 264,000 kgs, 41% of their licensed weight?
- Kasungu ADD (KADD): crop estimates were for 51 clubs producing 999,000 kgs. All clubs (except two, which later recanted) were reported to be intending to sell on the auctions. In the end, a number of clubs sold to ADMARC and barely half (54%) estimated production was licensed on the floors. Weight sold at auction was less than two thirds (61%) of that licensed.
- Lilongwe ADD (LADD): licensed weight on the auctions was almost exactly equal to estimates, yet only 12 of 30 clubs reported actually sold on the floors (50% of licensed weight). Did the other 18 clubs fail to produce? ADMARC sales and reports of estate sales suggest not.
- Liwonde ADD (LWADD): clubs in Zomba RDP sold 96% of their licensed weight, by far the closest estimate achieved. Most commendable, by any standards, yet the area also had significant ADMARC sales and interviews suggest that estate sales were also significant. Perhaps Zomba RDP over-produced?

**2.1.5** These examples are given, not as criticism, but to illustrate the complexity of the situation facing staff in the ADDs and to press the arguments in the earlier report for a comprehensive and, above all, timely approach to smallholder registration. This report cannot answer all the questions raised by these examples. It should be seen as a further step in understanding how the new clubs are evolving, a process by no means yet complete.

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<sup>2</sup> And includes measures to reduce their incidence in the future, though much remains to be done before the registration of smallholder clubs is a wholly coherent process.

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**2.1.6** The consultants were hampered by not having received the data on which these observations are based before undertaking fieldwork, as provided in the terms of reference. Analysis was necessarily therefore carried out after fieldwork, which is to be regretted as some questions which might have been addressed in the survey remain unanswered.

**2.1.7** Interviews were carried out with 20 clubs and a further three clubs were contacted without the opportunity for a formal interview. A list of the clubs visited is given in Annex 3 and a summary of the results of the interviews in Annex 4.

## **2.2 Accessing Auction Floors**

### **2.2.1 Numbers of Clubs and Members (Tables A2.1, A2.4)**

**2.2.1.1** 206 clubs, of the 315 reported in April 1992, sold on the auctions; by coincidence, exactly half of them (103) in Lilongwe and half in Limbe. These represented a total membership of 5,498 of the 7,203 total members reported in April. About three quarters of smallholders involved in the scheme, therefore, took, or could have taken, the opportunity to sell on the floors though it is most unlikely that all members of every club will actually have done so.

**2.2.1.2** These figures are subject to two qualifications. More clubs may have actually registered but failed to make any sales; the data available is unclear on this point as it seems that the AHL computer would only print out records with positive data. This point is minor compared to the uncertainty surrounding precise membership figures. At the ADD level, print-outs from the registration data-base for 1992 (Table 9.2 of the ACDI SBM report) are not available as the data-base has since been over-written with 1993 data. No copies seem to have been preserved on file at MoA headquarters (nor by the marketing consultant). The person responsible in USAID was on leave at the time of the consultancy and, so, the figures used in this analysis are from a collection of handwritten lists filed at MoA headquarters which may or may not have been the basis for the final allocation of quotas (licensed weight). Some of these lists were incomplete and club membership was inferred by dividing club licensed weight by 300 kgs (the most common level). This point matters when we come to consider quotas and it is worth noting that the largest single club membership (132 members, Table A2.4) is an inferred, not a recorded, figure.

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### **2.2.2 Production** (Tables A2.6, A2.7, A2.8 & A2.9)

**2.2.2.1** The 'average' club sold 5,645 kgs, with a range of between nearly 24,000 kgs and less than 800 kgs. 96 clubs sold more than 5,000 kgs each, together accounting for 70% of total weight sold. At the other end of the scale, 50 clubs failed to meet the 3,000 kgs minimum quota, accounting for 10% of AHL sales.

### **2.2.3 Meeting Club Quota** (Tables A2.10 and A2.11)

**2.2.3.1** Clubs sold 60% of their total licensed weight, with individual club performances varying widely, from 165% to 7%. 30% of clubs managed to sell within a band of +/- 15% of their licensed weight, while 7% exceeded their uplifted weights, laying themselves open to penalty deductions. 10% of clubs performed poorly on the floors, selling less than 25% of licensed weight.

**2.2.3.2** Half the clubs interviewed (see Section 2.5) claimed to have sold their whole crop to the auctions. It proved impossible to reach a meaningful estimate from club officials and members of the respective volumes sold to ADMARC and the estates since the clubs, as such, are not involved. Sales in these markets are private transactions on the part of members, who may have reason to conceal them from their fellow club members. Indeed, it could be seen as defection from the club though it must be said that this interpretation was not one expressed by any interviewee. As discussed elsewhere in this report, the sense of the club as a distinct entity conferring unique benefits on its members is very weak and people seem to view sales outside the club with amused tolerance, rather than as working against club interests.

### **2.2.4 Individual Quota**

**2.2.4.1** The issuance of individual quota to smallholders is an important component of ASAP and measures have been included in the smallholder registration package to implement this. Yet it has no formal force. What is legal and what matters is the club quota and License to Grow and Resell (see the ACDI SBM report).

**2.2.4.2** At the time of the field survey only one ADD had issued individual quota certificates for 1992-93 and the consultants met only one farmer who was able to produce his. He did not know what it meant. ADD staff commonly expressed frustration with operating the registration package - most often because of computer time restrictions but also in resolving discrepancies between the sum of individual quotas and club quotas. This problem occurred in 1991-92 (see below) and it had been hoped that the package

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would solve it. It now seems that more work is needed in this direction but this is not the subject of the present report and the consultants were not able to take the matter further.

**2.2.4.3** The news that USAID is procuring additional computer capacity was welcomed and it is to be hoped that resources will also be provided for further training and development of the system. These alone will not resolve the conceptual problem of how individual quotas fit in to the existing, estate-based, licensing system and whether measures are needed to give them legal force.

**2.2.4.4** One of the most disturbing observations of the field survey (see Section 3) was the highly skewed distribution of sales within clubs. It is simply not the case that clubs are made up of people with equal resources, equally able to produce, say, 300 kgs of tobacco and content to hold their production at that level. Instead, the common pattern is for two or three members to sell up to a dozen bales, while most sell three and a good number manage only one or two. This sort of data has not been quantified but the impression, where club records permitted, was overwhelming. In this context, individual quotas have little more meaning than a notional basis for the allocation of club quota which is then apportioned according to a local agenda. It is, perhaps, unrealistic to expect things to be otherwise.

**2.2.4.5** In the analysis of club AHL sales, clubs with licensed weight/member (LW/M) figures with non-integer values were screened out, as indicating either more than one level of individual quota in a single club, which is quite common, or some administrative inconsistency in setting club quotas. Clubs with implausible, but coincidentally integer, LW/M figures - such as 264.0 kgs/member - were also screened out and clubs were excluded as a result of the circular argument in inferring their membership (see above). These tests excluded nearly half (98) of the 206 clubs. In many of these cases the LW/M figures were high.

**2.2.4.6** Of those remaining, the LW/M ratios were:

1,750 kgs	1 club	600 kgs	1 club
1,200 "	2	500 "	1
1,000 "	2	400 "	1
900 "	2	300 "	90
800 "	1	250 "	2
750 "	1	200 "	2
650 "	1	150 "	1

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**2.2.4.7** Though most (90) clubs had an individual quota of 300 kgs/member, the relationship between club and individual quotas is obviously far from consistent. The 300 kg level is itself essentially arbitrary, if comprehensible; it is set as half an acre (a traditionally manageable smallholder/tenant area) yielding 1,500 kg/ha.<sup>3</sup> The yield figure results in most individual quotas being some multiple of 150 kgs ie. 150, 300, 450, 600. This complicates the mathematics of the analysis described and the figures should therefore be treated as indicative.

**2.2.4.8** These observations compromise the equity objectives of ASAP and, as more donors seem likely to involve themselves in smallholder burley, some clear guidelines need to be set for future allocation of individual quota. The problem remains of what to do with the precedent of clubs in which individual quotas have been set too high. Clearly there must be some revision of clubs with LW/M ratios as high as 1,750. The problem is more difficult with lower figures. 600 kgs/member is a common individual quota, particularly in Kasungu, though the analysis above suggests that all but one of the clubs, which allocated quota on this basis, were the subject of some inconsistency or discrepancy.

**2.2.4.9** In the interviews the subject of quota came up repeatedly. Two clubs with a reported quota of 600 kgs/member were interviewed. They can be described as 'successful' clubs, broadly meeting club quota at a reasonable average price. Neither was able to present records but it is unlikely that all members sold roughly equal weights. The suggestion that the club should dilute individual quota by taking on extra members was rejected vigorously, though all agreed that there were many other potential recruits. This response is not surprising.

**2.2.4.10** Is it fair that these pioneers should be cut back and is it realistic to expect them to abide by any such cuts? One of the clubs mentioned has six members and a club quota of 3,600 kgs. Their collective quota cannot be significantly cut without going below the minimum and it is questionable whether the principle of voluntarism should be violated by forcing them to take on more members. These problems are not universal but they are widespread enough to require a clear policy directive to staff responsible for registration.

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<sup>3</sup> No reliable estimates of actual smallholder yields are available, but the marketing consultant believes that 1,500 kg/ha may be too high. Perhaps TRIM or EEST have some figures for small estate tenants which should be broadly comparable.

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**Recommendation** The Quota Allocation Committee at MoA should consider the twin problems of local anomalies in the size of individual quota and discrepancies between club quotas and the sum of individual quotas. Clear guidelines need to be issued to the ADDs as to how they should resolve these problems. Before this is undertaken, a report on registration for 1992-93 needs to be prepared.

### **2.2.5 Overproduction** (Tables A2.11 and A2.12)

**2.2.5.1** Fifteen clubs exceeded their Uplifted Weight (Licensed Weight + 15%). Sales above this level attract a fine, or penalty, of 60% which, it is understood, will be increased to 70% in the coming season. The marketing consultant has neglected to establish the basis - gross or net proceeds - on which the penalty is levied and it is not clear from the final seller's sheets. Assuming it is levied on gross proceeds and using clubs' average prices only, Table A2.12 indicates that approximately 26,000 kg of overproduction incurred penalties of perhaps MK 100,000.

**2.2.5.2** Clubs interviewed included two which suffered this problem, causing the grossest injustice to members encountered in the survey. As far as is known, no club has a rota in which members take turns to sell. It seems always to happen on a first-come-first-served basis, with, inevitably, some weaker members not selling until their better organized fellow members have disposed of their entire crop. These tail-enders bear the entire brunt of the overproduction penalty and, in neither of the clubs interviewed, was there any plan for other members to make restitution. This probably also happened in the other 13 clubs affected.

**2.2.5.3** In another club, a single member had managed to hijack a third of the club quota, selling 51 bales, reportedly grown by 'illegals' on his behalf. This man was not a club official but an influential local businessman and transporter - the latter role giving him considerable leverage in the affairs of the club. When the case was brought to the attention of the ADD management, they acted promptly, arranging for the person concerned to be expelled from the club and for much of the balance of the crop to be sold through another club, so that the club ended by selling 114% of licensed weight. Nevertheless, over half the members at the interview meeting said that they had also had to sell to both ADMARC and the estates, partly as a result of this affair.

**2.2.5.4** These cases support recommendations in the marketing study that the extension service should strongly urge a system of bale sharing amongst members so as to equalize individual access to the floors. This topic is addressed further in Section 3 but it can be noted here that only two clubs interviewed reported bale sharing as a regular

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practice.

**2.2.5.5** The consultants heard of at least one other case in which MoA staff arranged for clubs to sell excess production through neighboring clubs and others may have made similar arrangements on their own. It is reasonable to conclude that overproduction was more common than the bare figures suggest.

### **2.2.6 Sales Procedure and Delivery Quota (Tables A2.13-A2.16)**

**2.2.6.1** The 'average' club sold 77 bales with a mean bale weight of 74 kgs. As many as 115 bales were sold on a single occasion and it is clear that, with one exception, the clubs managed to ignore, or were exempted from, delivery quota. As a simple test, clubs' largest single sales were compared with their estimated basic-50% delivery quota. 55% of clubs sold at least five times more than they were entitled to and only 23% seem, on this test, to have adhered to delivery quota. Practically all the latter group were in Mzuzu ADD.

**2.2.6.2** It seems that most ADDs were able to persuade AHL to be lenient to the new clubs in the matter of delivery quotas. While the motive behind this is appreciated, we must ask if it was a good idea. In the interviews, the subject caused much consternation when the consultants asked whether clubs would cooperate with other clubs in aggregating their deliveries so as to compete for transport. Few clubs, outside Mzuzu, seem prepared for delivery quotas. Yet, as the number of clubs increases, it will become impossible for AHL to make exceptions if the system as a whole is not to break down.

**2.2.6.3** Outside Zomba and Blantyre, few clubs managed to start selling until the third month of the sales, when pressure on transport and deliveries is at its worst. Thirty percent of clubs had a first sale number less than 40, though only two or three were less than 20. Sale numbers start with one, when the Auctions open in early April, and progress at five per week, public holidays and other unscheduled closures excepted. A surprising number of clubs (11%) did not sell until after Sale 70.

**2.2.6.4** This problem is probably unavoidable in the first year of operation and most clubs interviewed seemed aware of the need to plan for earlier sales. Their freedom to do this is, however, limited by labor availability. Most farmers visited by the marketing consultant, at the time the auctions opened in early April 1992, were still curing tobacco. They would not have been free to start grading until the floors had been open for some weeks. This problem affects most growers but smallholders, unlike many estates, are limited in hiring extra labor to get over the peak. It is worth noting, however, that many

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smallholders do hire labor, particularly for reaping and tying (sewing). In interviews, farmers asked for cash credit to enable them to extend this practice.

**2.2.6.5** Final sale numbers are more difficult to analyze, since many clubs have odd rehandled bales and final lots coming through the system well after their main crop has been sold. It is striking, however, that a large proportion of Mzuzu sales were not made until the last days of the season. Practically all MZADD clubs were still selling on sales 129 and 130 and a significant number made the bulk of their sales on these days, by which time delivery restrictions had been lifted, so as to clear the crop.

### **2.2.7 Prices and Returns (Tables A2.17 - A2.21)**

**2.2.7.1** Smallholder AHL sales were worth MK 7.3 million, gross, with MK 6.5 million net paid to grower. The overall average price was MK 6.28/kg, compared to a national average MK 6.51/kg. This is disappointing in view of the early performance (and that of 1991), when smallholder prices were significantly higher than average. The marketing consultant believes that this is due to a disproportionate volume of tobacco being sold (see above) late in the season, when prices were seriously depressed. Time available prevents an analysis of daily, as opposed to total, sales which would constitute definitive proof of this view. It was also found to be impossible to quantify reject and re-offer rates which, together with average prices, would give some indication of the quality of the smallholder crop, particularly as far as standards of grading and presentation are concerned.

**2.2.7.2** The 'average' club handled some MK 31,000 in cash receipts, with a range between MK 145,000 to MK 3,400. Mean receipts per member were MK 1,019, before local transport costs and credit repayment. As noted above, the distribution of sales within clubs makes it questionable how many actual members' situations would correspond to this average.

**2.2.7.3** The 'average' member's "Paid to Grower" figure can be translated into cash-in-hand by deducting an estimated MK 250 for credit (see section 2.4, below) and MK 60 for transport (3 bales @ MK 20), leaving MK 709 per member. Note that this is for AHL sales only, making no allowance for ADMARC and estate sales.

## **2.3 Geographic Differences in Performance**

**2.3.1** Almost all clubs interviewed complained of transport problems. Not, as earlier

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feared, so much in financing transport as in simply getting hold of a transporter. As to financing, the position is clear: within clubs, tobacco is identified as belonging to this or that member and it is the member's responsibility to meet the cost of transport, pro rata, per bale. The club, however, often seems to be able to set up credit from local transporters, using networks in which the officers of the club are often a part. Despite the universality of complaint, it was clear that some areas are more hard-pressed than others.

**2.3.2** One might have expected selling patterns to reflect local transport availability and perhaps they do. Zomba's success on the floors (in volume, if not price, terms) can be contrasted with Namwera, where transport is acknowledged to be a serious difficulty. But most clubs in Blantyre, nearer than any others to the floors and with abundant local transport, failed to make it to the auctions at all.

**2.3.3** Again, Mzuzu has recognized transport difficulties but their sales were more influenced, it would seem, by their having to stick to delivery quotas in a way which no other ADD experienced. In both these instances, factors other than mere geography seem to have been more important.

**2.3.4** A simple test was applied to "Other Deductions", on the seller's sheets of MZADD and KADD clubs, by dividing them by the number of bales. These charges would include rehandler's charges but, for the most part, would be made up of transporters' direct debits. Very few of the resultant figures resembled the standard transport charges from the AHL satellites in these ADD centers (and Mzimba). The conclusion is that few clubs relied entirely on the satellites for their transport to Kanengo (Lilongwe AHL) and must have made many deliveries direct to the floors. This conclusion fits with reports that difficulties in making deliveries to the satellites matched those at the floors themselves.

## **2.4 Access to Production Inputs and Credit**

**2.4.1** All clubs interviewed received production inputs on credit. In fact, access to SACA credit is what defines the clubs in the first place (see the ACDI SBM report). This characteristic should answer the question, noted in the introduction to this section, of how many clubs there were in fact, not just those registered sellers for which sales data is available. Out of the 315 clubs reported at the beginning of the season, 206 sold on the auctions, leaving a balance of 109, whose members presumably sold to estates or ADMARC. Unfortunately, SACA headquarters was unable to confirm these numbers in

## **Smallholder Burley Tobacco Clubs**

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the short time available, though the consultants were told that SACA's burley portfolio is clearly distinguished in their accounts.

**2.4.2** More than half the clubs interviewed reported problems with credit, usually late delivery of fertilizer, which may be repeated this season. Very few areas visited had yet received CAN fertilizer and while, at that point in the season, this was not yet an irrecoverable problem, timeliness of fertilizer application would soon become a critical limitation on the crop's potential. One area had not received its full amount of D compound basal fertilizer. As people were planting during the survey, this was already a significant check on potential yield.

**2.4.3** One serious possible development in the operation of credit was noted during the survey. It seems that individuals are being denied inputs where it is known that they have failed to repay. Thus, though credit continues to be made to clubs as a whole, individual members may not actually receive any. The decision apparently comes from SACA, not as an internal club measure, and would seem to signal the breakdown of the principle of collective responsibility which is fundamental to the credit system. No individual farmers complained of this, interestingly, perhaps because they feel they have no case, having failed to repay and it is not known how widespread this phenomenon is. If it is common, it will increase the tendency to skewed distribution of production within clubs. Without fertilizer, farmers cannot hope to meet their individual quota, which would pass by default to better-resourced members of the club.

**2.4.4** With these exceptions, the credit system generally delivers the inputs needed to grow the crop and the success of the program as a whole is largely a reflection of this. Farmers seem particularly happy with medium term loans and a number of clubs, which had declined loans for baling presses and scales, reported their intention to pursue one this season.

**2.4.5** The average level of credit/member has not been established but an estimate can be made from Table 15 in the ACDI SBM report. This shows MK 1,285 per hectare for seed, fertilizer and packing materials. For the notional area of 0.2 ha on which smallholder credit was allocated, this indicates a credit package of MK 257 per member, at 1992-93 prices, considerably higher than the previous season. But this does not include medium term credits for baling presses, scales and, in some cases, poles. The cost to individuals of medium term loans will have varied widely, according to the size of club membership and whether the club took such a loan. The credit package per member was, therefore, probably of the order of MK 250.

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### **2.5 Sales to ADMARC and the Estates**

**2.5.1** Half the clubs interviewed reported selling to ADMARC, to the estates, or both; as well as through AHL (see Table 1 on the following page). These sold 77% of their licensed weight at auction. The other half in the sample, which reported selling only through AHL, sold 62% of licensed weight, a figure remarkably close to the national figure of 60%. For the whole sample of 18 clubs the ratio was 72%, reflecting a sample bias towards bigger clubs (confirmed by sample means - see Table 1).

**2.5.2** In spite of the acknowledged bias of the sample in this regard, it seems in general that, the larger the club, the greater the probability of sales outside. This supports the general view of MoA personnel that limited club size promotes ease of management, internally as well as in terms of the clubs' relations with officialdom. Since AHL sales maximize smallholder earnings from burley - the ASAP goal - this point deserves attention.

**2.5.3** The ADD staff conducting the interviews with the consultants made great efforts to encourage frank discussion of the question of sales outside the club. Some interesting views emerged. Many farmers are wary of sales to estates, in spite of nominally attractive prices. It seems there is considerable experience of having been cheated on estate deals, whether as registered growers in the last two seasons or as illegal growers. The view that ADMARC, though mean, is at least reliable was expressed on several occasions. On the other hand, one club - supposedly one which chose to sell to ADMARC - reported selling entirely through estates and it was obvious that this was not a new experience for these farmers.

**2.5.4** It was not possible to relate ADMARC purchases to club registrations in any detail. This would require fairly precise mapping of all club locations relative to those of ADMARC buying points because of the parallel, and unconnected, systems of registration. If smallholder burley production is to be monitored more carefully in the future, the systems need to be linked, as recommended in the ACDI SBM report. Meanwhile ADMARC has indicated, in the wrap-up meeting of the PIC at which the consultants' preliminary findings were presented, that they intend to compete more keenly on price in the coming season.

**2.5.5** Only one club, through its officials, offered an estimate of its outside sales. The estimate (50%) corresponds exactly to its shortfall on registered weight with AHL and it may be that this answer was given in an effort to protect themselves from cuts in quota. In general, it was impossible to make any sensible estimate of outside sales, as discussed

Clubs Interviewed: Sales to AHL, ADMARC and Estates

Table 1  
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ADD RDP	EPA	Club	Wt. Sold	Lic. Wt.	% Quota	All to AHL	ADM/Est	ADMARC	Estates	DK
BL	Mulanje	Mulanje W	3,372	3,000	112%	1	0	0	0	0
K	Kasungu	?	3,759	3,600	104%	1	0	0	0	0
LW	Namwera	Masuku	6,175	6,000	103%	1	0	0	0	0
LW	Zomba	Dzaone	6,103	6,000	102%	1	0	0	0	0
LW	Zomba	Dzaone	5,684	6,300	90%	1	0	0	0	0
MZ	Rumphi	Bohero	3,572	4,000	89%	1	0	0	0	0
LW	Namwera	Masuku	1,666	3,600	46%	1	0	0	0	0
MZ	Rumphi	Bohero	11,198	25,000	45%	1	0	0	0	0
BL	BT/Shire	Thumbwe	1,983	13,050	15%	1	0	0	0	0
9 Clubs, selling only to AHL			43,512	70,550	62%					
K	Kasungu	Lisasadzi	23,967	18,900	127%	0	0	1	1	1
L	Ntcheu	Kandeu	8,109	7,050	115%	0	0	0	0	1
BL	BT/Shire	Mombezi	11,466	10,050	114%	0	0	1	0	0
K	Kasungu	K.Chipala	19,914	18,000	111%	0	0	0	1	0
K	Kasungu	K.Chipala	16,855	21,000	80%	0	0	0	1	0
K	Kasungu	Chamama	5,822	8,400	69%	0	0	1	1	0
MZ	Rumphi	Mhuju	11,324	22,500	50%	0	0	1	1	0
L	Ntcheu	Nsipe	6,111	20,400	30%	0	0	1	1	0
K	Kasungu	Chamama	2,159	10,200	21%	0	0	0	1	0
9 Clubs, selling to AHL + others of which:			105,727	136,500	77%					
L	Ntcheu	Kandeu	8,109	7,050	115%	0	0	1	1	0
BL	BT/Shire	Mombezi	11,466	10,050	114%	0	0	1	1	0
K	Kasungu	Chamama	5,822	8,400	69%	0	0	1	1	1
L	Ntcheu	Nsipe	6,111	20,400	30%	0	0	1	1	0
4 Clubs, to AHL, ADMARC & Estates			31,508	45,900	69%					
K	Kasungu	Lisasadzi	23,967	18,900	127%	0	0	0	1	0
K	Kasungu	K.Chipala	16,855	21,000	80%	0	0	0	1	0
MZ	Rumphi	Mhuju	11,324	22,500	50%	0	0	0	1	0
3 Clubs, to AHL & Estates only			52,146	62,400	84%					

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Clubs Interviewed: Sales to AHL, ADMARC and Estates

Table 1  
page 2

ADD RDP	EPA	Club	Wt. Sold	Lic. Wt.	% Quota	All to AHL	ADM/Est	ADMARC	Estates	DK
K	Kasungu Chamama	Mbongozi	2,159	10,200	21%	0	0	1	0	0
	1 Club, to AHL & ADMARC only									
K	Kasungu K.Chipala	Khuza	<u>19,914</u>	<u>18,000</u>	111%	0	0	0	0	1
	1 Club, Don't know									
18 All Licensed Sellers interviewed			<u>149,239</u>	<u>207,050</u>	72%					
Means of 18 clubs			8,291	11,503	72%					
L	Ntcheu Kandeu	Mtandali	na	20,850	0%	0	1	1	1	0
	1 Club, to ADMARC & Estates only									
LW	Namwera Katuli	Litungwe	na	4,200	0%	0	1	0	1	0
	1 Club, to Estates only									
Sources: Club, final seller's sheets and interviews.										
L	Ntcheu Kandeu	Machuryu		na		0	1	1	1	0
L	Ntcheu Nsipe	Nkhame		na						
LW	Namwera Masuku	Chileka Women' Club		na		na	na	na	na	na
LW	Namwera Ntiya	Lijelo		na		na	na	na	na	na
5 Clubs, new registrations for 1992-93						9	3	12	17	4

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in 2.2.3.2.

**2.5.6** Ideally, this report should be able to settle, definitively, the question of how important the estate marketing option was to smallholders. This matters as it affects the urgency policy-makers may wish to attach to the need to implement measures to legitimize this market - a complex of licensed growers and dealers, still little understood as it remains illegal until the Special Crops Act is amended in some way. It seems that Government is committed to doing this under the terms of ASAP though, as far as is known, no concrete steps have been taken towards legislative change.

To return to the figures given in the introduction to this section:

Quota available - "Target"	3.501 million kgs		
Quota taken up - "Allocated"	2.442	" "	70%
of which:			
Sales through AHL	1.165	" "	48%
Sales through ADMARC	0.393	" "	16%
Balance - Estates(?)	0.884	" "	36%

**2.5.7** The sales figures through AHL and ADMARC are a matter of record, as are the licensed weights of those clubs which did sell to AHL. The target figure was simply that, a target which, it was generally agreed (though not in Kasungu - see Table A2.1), had not been achieved, as discussed in the earlier ACDI SBM report. The key is the figure for "allocated", or production estimates.

**2.5.8** If quota had been strictly allocated on the basis of these estimates, we might conclude that the 109 clubs which did not sell on the floors shared quota of around half a million kgs; in which case, estate sales would have been insignificant:

Allocated	2.442 million kgs		
Licensed	- 1.954		
Non-AHL	0.488	" "	20%
ADMARC	- 0.393		
Estates	0.095	" "	4%

**2.5.9** The reality was, of course, more complicated, with significant estate sales from within the licensed weight figure and, in at least some cases, exceeding it. To put the reliability of the "allocated" estimates in context, the following is quoted from an internal

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memorandum (to MoA and USAID) from the marketing consultant, after a field trip to smallholder burley areas made by MoA officers and the consultant between 5-20th March 1992:

The crop is extremely patchy, with outright failures lying next to quite satisfactory stands of tobacco ..... Initial estimates of 2.6 million kgs have been revised down to 1.9 million kgs, on the basis of yield reductions alone, from 1,400-1,200 kgs/ha to 1,000-800 kgs/ha. These second estimates may still be over-optimistic; the consultant estimates 600 kg/ha overall, admittedly on a sample which may well be unrepresentative ..... Nevertheless, lower yields will be offset by significant numbers of growers having obviously planted more than the area (0.2 ha) generally allocated and by significant numbers of unregistered, or 'illegal,' growers ..... It is impossible to quantify these effects but the possibility remains that the original estimate of 2.6 million may still be reached or, conceivably, exceeded.

**2.5.10**      2.6 million (?)   1.9 million (?)   These estimates seem to have been abandoned at some stage and perhaps all that can safely be said is that the real scale of 1991-92 registered smallholder production is highly uncertain. Since quota was based on these estimates rather than the declared intentions of the growers themselves (as it is supposed to be), the scale of estate sales cannot be gauged accurately. But, though they were certainly important (maybe even as much as half of production), the drought and poor uptake might equally have resulted in a crop significantly less than that estimated for the purposes of allocating quota. We cannot be sure.

**2.5.11**      This account has unearthed many unanswered questions. They are interesting and it is professionally galling to be at such a loss in answering them. But they are history and it is surely better to concentrate on present and future seasons. It is not recommended that further effort should be devoted to evaluating the 1991-92 season. Rather, a permanent office responsible for the collation of smallholder tobacco statistics, from all sources, should be put in place which can methodically answer the sort of questions raised here. This might best be located in the Tobacco Control Commission (see Section 4).

### **3. ORGANIZATION AND MANAGEMENT OF CLUBS**

#### **3.1 Legal Status**

**3.1.1** Consultants were unable to discover any legislative authority for the existence of smallholder burley clubs as they are currently constituted. Therefore, it appears they have no special protection of law as organizations. Since the consultants are not attorneys, they are not competent to render an opinion on the ramifications of this situation. However, the Ministry of Justice has been asked by SACA to review a draft model constitution for SACA clubs which would include burley clubs and it is possible some legal opinion might result therefrom.

**3.1.2** However, consultants have so far found no compelling evidence that burley clubs have been constrained in their business objectives due to their legal status. Clubs have had access to farm supplies on credit through SACA and access to the auction floors as well as opportunity to sell to ADMARC. Marketing aspects of club business seem to have proceeded especially well. There has been some default on input loans but the incidence among burley clubs is much less than for SACA clubs in general. In addition, SACA reports that it has been successful in suits naming a club as defendant in attempts to collect on loan defaults. Thus, legal status does not yet appear to be a major problem for the burley clubs. However, there are a number of potential changes in the environment in which clubs may operate in the future that might change the situation and make legal status a more important factor. The principal concern is the existing plan to convert SACA into a private bank. One can only speculate whether a private bank will be willing to continue making agricultural loans to clubs with no legal personality.

**3.1.3** Consultants were asked to review alternatives to achieve a more formal status. Existing alternatives appear to resolve on three: registration as cooperatives, as trusts, or as companies. Of these, the cooperative form is much more appropriate to the nature and purposes of burley clubs. Incorporation as a trust is also a possibility and this form has been used in Malawi for organizations similar to burley clubs. These two possibilities will be discussed. General opinion has been that the Companies Act is too complex and too demanding to be especially useful for burley clubs, so this alternative has not been pursued. There is, of course, always the possibility of special enabling legislation, but as a general rule special legislation should be avoided unless existing legislation is totally inadequate even if amended.

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**3.1.4** The Shire Highlands Milk Producers Association (SHMPA) is an association of milk bulking groups engaged in the production and marketing of milk. Thus, there is a reasonable analogy to burley clubs. SHMPA is registered under the Trustees Incorporation Act (see Annex 7). Consultants interviewed the General Secretary of SHMPA, reviewed its constitution, and reviewed the Trustees Incorporation Act. The fact that SHMPA has achieved legal status under the Trustees Incorporation Act and carries out agricultural marketing activities attests to the possibility of using this Act as a vehicle for burley clubs to achieve legal personality. However, it does not appear to be an ideal vehicle. The economic activities of SHMPA and the burley clubs appear to stretch the boundaries of the intent of the Act (Cap.5:03):

3.(1) Trustees of any charity for religious, educational, literary, artistic, scientific or public charitable purpose or of any association of persons for any religious, educational, literary, artistic, scientific, social, athletic, or charitable purpose or for any purpose which in the opinion of the Minister is for the benefit or welfare of the inhabitants of Malawi or any part thereof may apply in the prescribed manner to the Minister for a certificate of incorporation of the trustees of such charity or association as a corporate body.

Clearly burley clubs are not associations "of persons for any religious, educational, literary, artistic, scientific, social, athletic, or charitable purpose." It may, of course, be that "in the opinion of the Minister" a burley club "is for the benefit or welfare of the inhabitants of Malawi." Still, the Act does not speak to the conduct of commercial activity and gives no guidance on how to conduct business affairs.

**3.1.5** If it proves necessary for clubs to seek a more formal legal status, the Co-operative Societies Act (see Annex 6) appears to provide the necessary basis for such formalization. The Act is a good one with much flexibility and much guidance and structure that would serve burley clubs well. However, there are disadvantages. The most serious is that the record-keeping and reporting demands are beyond the current capabilities of burley clubs. Thus, there would be a significant cost in training and possibly also in continuing bookkeeping assistance. There is also a question of scale. Burley clubs averaging fewer than 30 members may not be large enough to justify the added costs of conversion to cooperatives. This could be overcome by joining several clubs into one cooperative. The Act permits cooperatives to have branches, so several clubs could be organized as branches of a cooperative. But there are bound to be difficulties in achieving this, because the clubs are usually village based and the members have a strong affinity. Larger, more complex groupings are certain to lose some of the cohesion that seems to

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be a large element of the current success of clubs. However, the legal intent of the Co-operative Societies Act (Cap. 47:02) appears to be quite well suited to burley clubs:

4. Subject to the provisions herein contained, a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability as the Registrar may decide:

Provided that the liability of a society which includes at least one registered society among its members shall be limited...

8. The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, and to do all things necessary for the purpose of its constitution.

**Recommendation:** If burley clubs feel compelled by business necessity to become legal entities and if they are prepared to accept the costs and burdens of the attendant reporting requirements, they should seek to become registered as cooperatives. In order to reduce the costs and burdens, they may wish to explore with other burley clubs the possibility of creating a larger cooperative with the clubs as branches.

### **3.2 Business Management Capability**

**3.2.1 Level of Business Management.** Club officers by and large are more focused on crop management than business management. They understand their shortcomings in agronomy and crop handling, particularly grading. However, their shortcomings in business management and club management, of which they are largely unaware, are much more limiting. They have little understanding of how to get the best prices for their burley. They fail to understand how their members could benefit from joint activities such as sharing bales to improve average crop price for the club as a whole, or to negotiate a transport contract as a group to get a better price or more timely service.

**3.2.2** The survey found little or no sense of the club as something more than a formality needed to access credit and the auctions. If the clubs are to be self-sustaining this idea

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must be the subject of future training.

**3.2.3 Quality of Club Management.** Because the clubs are made up of smallholders, with management responsibilities falling to club officers chosen from the membership, it is unreasonable to expect a high level of education or organizational experience. Educational levels of club officers in this study were predominantly below Standard 6. Most chairmen were found in the range of Standard 4 to 6. Secretaries were slightly higher, with half having attained greater than Standard 6. Treasurers somewhat less than chairmen. Only about half of all officers had prior experience with other clubs and less than half have any prior business experience.

**3.2.4** It appears that clubs often choose the most respected agriculturalist as chairman, the most educated person as secretary, and the most trusted person as treasurer. This is about as good as one can hope for. However, clubs are not currently operating to the full extent of their management capability and, as viewed by an outside evaluator, have a long way to go. For them to achieve their potential, management systems must be complete, yet as simple as possible, and the office bearers must be well trained in the systems.

**3.2.5** Records of the burley clubs are generally quite poor. Nearly every club has made an effort to keep records, but there is little standardization. All clubs are required to have a bank account which is managed by a passbook. Two office holders must be present to withdraw funds and the bank records the transactions. The tobacco sales records are generally adequately kept, for those clubs marketing through auction floors, because AHL produces and provides computer printed sales sheets. Most clubs are able to demonstrate how proceeds from sales were distributed. Most also have a receipt book showing repayment of loans to SACA. Beyond this, record keeping breaks down considerably. Cash receipts and disbursements tend to be written on loose leaf sheets or in unrelated sections of record books. Rarely, if ever, is any attempt made to maintain a balance. It would be quite difficult to establish an audit trail or to arbitrate a dispute among members based on existing cash records. A proposed record-keeping system is described in Annex 1.

**3.2.6** One measure of management competence would be the speed with which the club is able to begin marketing its crop. This survey found the average date of first tobacco sales to be May 30th, some seven weeks into the marketing season. Given that prices tend to be highest in the early season and for improved cash flow, this appears to be an area where club management can improve.

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### **3.3 Club Structure and Systems**

**3.3.1** Club structure is not a problem, *per se*. All clubs have a chairman, secretary, and treasurer. Larger clubs generally also have vice officers for each of those positions. There does appear to be some confusion of duties between secretaries and treasurers, but since only one of the clubs visited professed to have received leadership training, this is not too surprising. Few of the clubs had written constitutions and the ones encountered were inadequate. Nevertheless, the clubs appear to function, with more or less ease, to gather, bale, and market tobacco and to divide the proceeds. In other words, there is no apparent, self-defeating structural defect.

### **3.4 Scale of Operations**

**3.4.1** Club size ranges from six members up to more than 120. Though there are some potential economies of scale in marketing (grading/baling facilities and transport), operations are largely characterized by variable costs. However, larger club size requires more careful record-keeping than has been found at most clubs. The major determinant of scale is the size of the local affinity group with burley quota available and is not likely to be influenced by the relatively minor economies available. Since most of the costs are variable and most of the sale price is return to labor, any scale within the practiced range appears to be sustainable.

### **3.5 Extent of Collective Action**

**3.5.1** As mentioned earlier, consultants found a disappointingly low level of awareness of the club as a vehicle for group dynamics. There is considerable room for improvement in the area of collective action. The most significant such opportunity is in the practice of sharing bales. Seventy-two percent of respondents claim that they rarely or never mix tobacco from two or more members in a bale. This means that club tobacco is necessarily coarsely graded. Consequently, the club is missing out on greater revenue that could be achieved through collective action.

**3.5.2** A second possibility for returns to collective action is in the area of transportation. Several clubs in a vicinity working together could possibly use their market clout to contract for transportation at a better price, and with greater control over scheduling. The organizational skills required to manage such a multi-club arrangement, however, would present a challenge to club management at its current level.

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### **3.6 Fairness and Equity**

**3.6.1** MoA staff, supporting the burley smallholder activities at all levels, have expressed near universal belief that the vast majority of burley clubs have so far been honestly managed. While the consultants have observed a number of troubling circumstances, there is no evidence to challenge the general notion that most clubs are honestly managed and farmers are receiving proper compensation for their tobacco. Farmers seem to have high awareness of the value of their crop and this is the major factor contributing to fair distribution of proceeds.

**3.6.1** Several EPAs reported two or three complaints or queries from farmers concerning fairness issues, but in nearly every case investigations found no basis for the complaint and farmers were satisfied when the circumstances were fully explained to them. MoA staff at higher levels were not always aware of these instances.

**3.6.2** The most serious exception encountered so far was a case in which a powerful member of one club reportedly massively exceeded his quota at the expense of other members. This situation was apparently resolved when the club, on advice of the ADD Tobacco Officer, expelled the member.

**3.6.3** Other potential fairness problems result from insufficient checks and balances and conflict of interest situations. Types of problems noted include the possibility of club officers using their position to send their tobacco to market earlier than other members, a dominant officer running the club by fiat, and club officers with entangling economic relations with other members such as owning a grocery in the community. Given the community-based nature of the clubs, such problems are difficult to avoid. The best protection against negative consequences of such circumstances is training for club members so that they are aware of the rights and duties of club membership and are better able to deal with their own problems.

### **3.7 Meeting Criteria for Success**

**3.7.1** The Overseas Cooperative Development Committee convened a workshop attended by 85 cooperative development experts from 25 countries to pool their collective wisdom on the reasons for cooperative success and failure.<sup>4</sup> The Malawi Burley Clubs, while

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<sup>4</sup> U.S. Overseas Cooperative Development Committee, Why Cooperatives Succeed and Fail: A Compendium of Views by International Cooperative Experts, Washington D.C.

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not technically cooperatives, share much in common with them and the observations made by those cooperative experts apply in general to a broad range of farmer organizations that would include burley clubs. Thus, the criteria herein discussed are cast in terms of farmer organizations.

### **3.7.2 Major Criteria for Success**

- \* Is the farmer organization an economically viable business enterprise?

Burley clubs fare well in this regard. They are based on a successful cash crop, the price of which, though imperfectly, is supported by a quota system. Among producers, the smallholders are efficient producers. Thus, there is margin available and the clubs have intrinsic staying power. They have a ways to go before the clubs themselves project the image of a viable business enterprise, but the basics are there.

- \* Does it have the capacity to adapt, grow, and to be innovative?

The clubs have so far not demonstrated great capacity for innovation and adaptability. Though there are some encouraging signs, such as clubs sharing baling presses, the more general characterization is one of high dependence on MoA staff for guidance and reaction to external forces. Still, the structure and innate capacity is there but what is lacking is training in group dynamics.

The growth issue, however, is a more serious problem. The clubs are externally constrained by availability of quota. Clubs cannot grow in size unless additional farmers in their area are granted new quota. The scale of the club with existing membership cannot grow unless members quotas are allowed to grow. Neither condition is generally available since the basic policy is to reach the maximum number of farmers in a geographically diverse pattern in order to achieve desirable income distribution effects. Unfortunately, this stunts the growth dynamic which is a major determinant of success. Farmers are already complaining that they have now learned to grow and market the crop and are ready to expand, but are constrained by quota. This will likely become an increasing source of frustration. One can only hope that prices and profit margins remain high enough to conquer such frustration. Also, it is important, under such circumstances, to channel group efforts toward achieving higher prices through quality improvement and lower operating costs through group action.

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- \* Does it provide services that its members are seeking?

The most valuable service provided by the club is access to a "grower number" that permits the member to sell tobacco at auction. The next most important is club backing for credit to obtain production inputs. Third most important is group ownership of baling presses and scales which permit members to prepare their product for market. Services such as grading, bale sharing, organizing transportation, and other possible group activities are more potential than reality. The concept of "club" is not deeply understood and they often act more as a gaggle of individuals than as a group with a common mission. Access to auction floors is a sufficiently powerful benefit in itself to keep the clubs together, but they have a long way to go before they can be described as full-featured member service organizations.

- \* Does it afford democratic participation in decision-making related to the planning and implementation as well as the sharing of economic benefits and risks of development objectives?

Although clubs meet often for group discussion, their actions appear to reflect heavily the guidance received by MoA staff and are often greatly influenced by a few dominant members. Evidence of lack of democratic action can be principally found in the allocation of delivery quota. Often, certain members dominate early deliveries which provides them with better cash flow and usually better prices, while other farmers are made to wait as they helplessly watch prices decline. In one case, a club exceeded its production quota and the hapless farmers whose misfortune it was to find their tobacco at the end of the line suffered the entire penalty levied against their sale, and the club had no plan to compensate them. Of course, there is considerable variability in this and many clubs are quite egalitarian. However, there is a great need for training in the rights and duties of club membership.

- \* Is the farmer organization effectively pursuing whatever social and economic goals it has set out for itself?

The short answer is yes, but only because the clubs have set only very limited goals for themselves. They want to raise and sell burley tobacco at auction. The clubs have provided them the opportunity to do this. As suggested above, however, the clubs could set themselves additional income objectives and pursue these through improved marketing strategies and cost control programs.

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### **3.7.3 Factors Contributing to Farmer Organization Success**

- \* **Leadership:** The ability to articulate, motivate and stimulate others is important for the leadership of a farmer organization.

Leadership in burley clubs is weak. Leaders are generally unable to articulate the purpose of their club. Consensus building for group action is generally lacking. Most clubs are highly dependent upon the MoA Field Assistant. In some clubs there are one or more dominant members who exert a considerable influence on the affairs of the club, but this is more often through the exercise of power than leadership. Members and leaders alike have a very poor understanding of the rights and duties of club membership. Office bearers have a poor understanding of the responsibilities of their office.

- \* **Sound Management:** Farmer organizations need to have sound management and need to have a system of checks and balances for their governance and control.

As previously discussed, burley club management is weak. There is little concept of the club as a business entity. Potential profits are sacrificed because no one feels the responsibility to organize group action. Normal checks and balances in record keeping and duties of officers is less than desirable, but the major positive factor is that members generally understand what they should be paid for their tobacco and what they owe for inputs received on credit. Since these are the major financial transactions, clubs have functioned reasonably well and members are generally satisfied with the conduct of their clubs.

- \* **Training:** Training is necessary in both the skills required to operate a farmers organization and in the professionalization of those operations.

Due to their rapid formation, burley clubs are way behind in this area. This issue is discussed in detail elsewhere.

- \* **Education:** Traditional education in group action for both the leadership and members is vital, as is the distribution of information on the privileges and responsibilities of membership. The continuous flow of information provides members with the capability to participate effectively in decision-making.

Burley clubs are also lagging in this area.

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- \* **Favorable Climate:** Governments should create and foster the conditions which allow farmer organizations to flourish.

At present, the GoM is providing a very hospitable climate for the formation and operation of smallholder burley clubs. The purpose of the promotional program is well understood by MoA staff, right down to the field assistant level. MoA staff are taking the program seriously and are working above and beyond the call of duty.

- \* **Sensitization:** This is the "education" of government officials and other members of the community to make them aware of the role farmer organizations can play.

This area needs a fair bit of work. MoA staff understand that burley clubs offer an opportunity to involve a large number of smallholders in burley tobacco production and, hence, to achieve income distribution goals. However, they are little more aware than club members, of the benefits of group action in such matters as bale sharing and organization of transportation. They are understandably more comfortable advising clubs on the agronomy of tobacco than of the benefits of group dynamics.

- \* **Legal Status:** Formal legal recognition through legislation which grants farmer organizations the right to exist and to function is essential.

Legislation exists in the form of the Co-operative Societies Act and the Trust Incorporation Act which are satisfactory to protect the rights of farmer organizations. However, the burley clubs are not currently registered under either law. This topic is discussed at length elsewhere.

- \* **Integrated Development:** Farmer organization development needs to be viewed as part of overall socio-economic development, and farmer organization development activities should be reflected in, and be reflective of, national development plans.

Burley clubs score quite high in this regard. For seventy years, tobacco has been the dominant export crop of Malawi. The effort to promote burley clubs is part of a larger policy thrust toward income distribution and poverty alleviation. It is an innovative and, so far, successful program in the mainstream of Malawi's development plans.

- \* **Harmonization of Objectives:** Farmer organizations must join together to exert pressure for political/legislative ends.

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There is no well-developed tradition of farmer organizations in Malawi. There is the example of MUSCCO, which is operating as a successful representative of savings and credit cooperatives. In agriculture, there is the example of the Shire Highlands Milk Producers Association. But, in large measure, the burley clubs are pioneers. At present, they are quite new and haven't yet mastered the techniques of group decision-making within their clubs. Thus, it is premature to expect them to effectively grapple with larger external issues of a political or legislative nature. This will surely come with time, but at present, it is much more important that they learn to work collectively on such matters as bale sharing and assignment of delivery quota. Strong associations of farmer organizations can only be forged from strong farmer organizations.

- \* **Adequate Time Frame:** New activities undertaken by a farmer organization must not exceed that organization's ability to absorb them.

Burley clubs are in good shape in this regard. Their activities are quite focused and their capacity to expand is constrained both by the lack of additional quota and lack of additional credit. They have a profitable enterprise and should have ample opportunity to survive while their organizations mature, unless changes in SACA impede their access to credit for production inputs.

- \* **Participation:** There must be full, direct participation in the planning of the organization's activities by the members themselves.

Burley clubs vary in this factor. Most of them meet frequently, but few of them tackle the full range of issues they should be addressing. They talk mostly about tobacco agronomy rather than about marketing or organizational issues because they understand that better. Since members are not well trained in the rights and duties of membership, they are often reluctant to participate to the full extent they should.

- \* **Open Membership:** Membership in a farmer organization must be open and voluntary.

There is an external constraint to open membership in the form of individual quotas to grow burley. This is a fact of life and not a fatal flaw. Voluntarism is also a bit strained since there is often only one club in an area with a grower number, providing access to auction floors. However, consultants did come upon several clubs that resulted from the split from other clubs in order to provide closer affinity. This does not appear to be a major problem.

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- \* **Linkages:** There needs to be some degree of relationship between different types of farmer organizations and with other institutions of society.

Burley clubs have not yet begun to think of such things, but it is premature to worry about it. Such questions can be addressed at a later stage of evolution.

- \* **Variety:** While there may be a single farmer organization "model," the validity of a whole variety of experiences must be recognized.

There is a basic structure for burley clubs, but the "model" has proven sufficiently robust to accommodate clubs from six to more than 120 members, as well as all-female clubs. This is not a problem.

- \* **Individualized Planning:** There must be situation-specific solutions to problems of organizational development organized in a phased manner.

As noted elsewhere, burley clubs do not do well in this area. They have not shown great innovation. They have given little thought to planning. They do not even have a clear concept of their purpose as a club and are highly dependent on external advice.

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### **4. NEEDS ASSESSMENT**

#### **4.1 Training**

##### **4.1.1 Leadership**

**4.1.1.1** Smallholder burley clubs are in great need of training. Their desire for training is largely focused on crop management and grading, but their greatest weaknesses are in club management and record-keeping. Club leaders are not well trained in the duties of their offices nor in the functions of clubs. Ideally, all club members would receive training in all these areas immediately. Unfortunately, the ability to do so is probably constrained by budgetary and staff considerations. Consequently, priorities must be set and choices made.

**4.1.1.2** The consultants are aware that SACA, in cooperation with ADD field staff and the MoA Training Unit, has developed a "Farmers' Club Training Manual" (see Annex 8). Topics addressed include: the basic principles of farmers club formation; the qualities of good leadership (office bearers); election procedures for office bearers and the formation of club constitutions; the duties and responsibilities of office bearers; seasonal loan application procedures and the disbursement of inputs; and club record keeping. This is precisely the type of training that burley clubs require to begin thinking of themselves as clubs whose potential is greater than the sum of the individuals. The Danish Rural Development Consultants, quoting SACA as a source, report that 1,057 such courses reached 38,570 individuals during 1990/91 at a cost of MK 101,860.

**4.1.1.3** This survey, however, found little evidence that burley clubs have received such comprehensive management training. Given that approximately 700 new clubs have been added this year to the existing 300 clubs, the training need is great. Most of the gains to be made are in areas of organizational improvement and group action. For instance, few clubs share bales among members. Consequently, they are grading coarsely and sacrificing profits. In many clubs, transportation to delivery point is treated as a personal problem and not a matter for club organization, with consequent loss of bargaining power. Some clubs share baling presses and scales with other clubs, but many smaller clubs own their own and consequently have higher overhead costs. These and many other problems are amenable to group problem solving.

**Recommendation:** MoA and SACA should make a concerted effort to ensure that office bearers of all 1,000 burley clubs will have received the full course of training set forth in the Farmers Club Training Manual by the

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end of 1993.

### **4.1.2 Record-Keeping**

**4.1.2.1** Club records are inadequate to meet objective standards of husbandry and few provide an adequate audit trail. Most clubs are small enough that members are able to satisfy themselves with the conduct of the club. However, if the functions of SACA are taken over by a private bank (see section 4.2.3), the current standards of club management and record-keeping may prove inadequate to qualify the club as a borrower.

**4.1.2.2** The consultants believe that substantial improvement is possible in burley club record-keeping. Terms of reference require them to "describe simple and effective accounting and inventory control systems which can be quickly taught to smallholder club and Ministry of Agriculture personnel." Accordingly, such a system is proposed in Annex 1. Consultants are aware that, even though every attempt has been made to keep the recommended system simple, its implementation may prove a challenge to many clubs. However, this is the simplest system they could devise consistent with minimum standards of fiduciary responsibility. They could not, in good conscience, recommend less.

**4.1.2.3** For such a system to be most effectively adapted and a training program devised and implemented, it would be better for SACA, the ADD staff dealing with tobacco, and the MoA Training Unit to jointly develop a manual for burley club training in record-keeping, much as was done for the Farmers' Club Training Manual. This would ensure that the system is as practical as possible, as well as properly implemented.

**Recommendation:** MoA should organize a joint activity, as described above, to put into place a record-keeping training program within the first quarter of 1993. Every attempt should be made to introduce such training for all officers of burley clubs nationwide during 1993.

### **4.1.3 Crop Production and Marketing**

**4.1.3.1** Very few clubs seemed prepared for the question of what their training needs are. This suggests, as does much of the rest of the survey, that the greatest need is to encourage farmers to think more of their club itself as the starting point in solving their problems, to encourage more debate within the club as to what these needs might be and how the club can help.

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**4.1.3.2** That said, once debate started during interviews, the answers came readily enough and there was striking unanimity over the need for more training in grading. Grading is a wide topic. As well as the physical grading of leaf, it includes baling, presentation and, as frequently recommended, the question of bale-sharing. In the limit, a quota of 300 kgs sold individually in 75 kg lots, allows only four grades in the entire crop. This is far too coarse and must depress the price received. In fact, farmers recognize this and pooling of minor grades does seem to occur, but probably only where absolutely necessary. It is an area with very considerable scope for improvement. As discussed in section 3, this will only develop when members have confidence that their club record keeping is sharp enough to ensure that they get fair payment for their fraction of any given bale.

**4.1.3.3** The other main area of training recognized by farmers is in seedling production. Though field management of the crop was mentioned, this is obviously to be an area in which farmers are much more confident. It was not possible to go into such topics as topping and hygiene, in which that confidence may be less well founded.

**4.1.3.4** The question of training in marketing (i.e., how the auction system actually works) is touched on in section 4.4 below.

**4.1.3.5** In all these areas it seems likely that the Estates Extension Service Trust (EEST) has developed training materials for small estates which would be equally appropriate to smallholder clubs. The question of the clubs' membership of the Tobacco Association of Malawi (TAMA) has been described in the ACDI SBM report and the Executive Secretary of TAMA has since stated that TAMA's policy is to welcome the clubs as members of the association (relations with TAMA is further discussed in section 4.2.2.4 below). Whether membership in TAMA is appropriate is another issue but if it is the case, TAMA needs to take steps to ensure that the clubs are fully included in EEST's activities, overstretched though EEST probably is.

**Recommendation:** TAMA should communicate the terms and conditions of their membership to the clubs and take steps to ensure that they enjoy equal access to EEST services.

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### **4.2 Organizational Issues**

#### **4.2.1 Scale of Operations**

**4.2.1.1** Consultants were asked to assess the need for consolidation of smallholder clubs into larger volume groups, to assure a commercially-viable scale of operations. No significant scale problem was found and even the smallest clubs were found to be commercially-viable.

#### **4.2.2 National and Regional Structures**

**4.2.2.1** Consultants were asked to assess the needs of the smallholder clubs for regional and/or national organizational structures to streamline input distribution, credit, and marketing functions on a cost-effective basis. So long as the status quo can be maintained, there is little need for additional organizational structures. Input distribution is not perfect and spot delays do occur, but overall performance has been quite satisfactory. Credit has been available through SACA and has not been an obstacle to the program. Marketing is relatively straightforward. Clubs may sell to ADMARC at fixed prices or send their product to the auction floors. There is need for better handling of marketing issues at the club level, but there is little that an additional organizational structure could do. One possible exception would be in the area of organization of transportation. It may be possible that several clubs working together, either more or less formally, could secure better prices and better scheduling of transportation by pooling their market clout in negotiating one or more contracts. However, clubs are now managing to get their tobacco to first collection point with prices ranging from MK 15 to MK 35 per bale, so potential gains must be viewed as a fraction of that.

**4.2.2.2** However, if the status quo is not maintained, new organizational structures may be required to take up the slack. At present, clubs are very dependent on MoA field staff in nearly every aspect of club operation. If, as part of the planned "separation" process, MoA field assistants are instructed to limit non-agricultural assistance to the clubs, the clubs will suffer, unless the service is otherwise provided. If SACA is transformed into a bank with significant private ownership, such a bank may have more stringent requirements with respect to legal status and record-keeping. In that case, organizational changes would be required. To meet commercial standards of record-keeping, it may be necessary for several clubs to join together, more or less formally, to hire a competent bookkeeper.

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**4.2.2.3** One case that could be made for a national level organization is that no organization exists especially to represent the interests of smallholder burley producers, and that allocation of burley quota is essentially a national negotiation in which smallholders may suffer without adequate representation. So far, international donors have played the role of advocate for the smallholders. This is clearly not sustainable. Yet, up to now it has been a satisfactory solution and may be expected to continue for the duration of existing projects, at least. If a national organization is to prepare to take over this responsibility, it will be most effective if it is built from the ground up, in a measured program in which the burley clubs are fully involved, and with narrowly focused objectives. If, for instance, business and representational objectives were combined, they could be mutually distracting. Furthermore, there is no clear business purpose for a national organization at this time. One result that should be guarded against is the creation of organizational structures that take more resources from the system than they provide. The potential for this is great.

**4.2.2.4** During the course of the study, consultants heard discussion concerning the possibility of creating a Smallholder Tobacco Association, but were unable to learn much about the proposed purpose or functions of such an association. Two possible functions were suggested: (1) lobbying for more quota for smallholder producers, and (2) organizing transportation services. Both are important functions, but serious questions need to be considered concerning the potential effectiveness of a national association in these matters at this time.

**4.2.2.5** Transportation of tobacco is not likely to be efficiently managed by a national association. The needs are seasonal and local. Adequate capacity exists among private hire vehicles. It is doubtful that a proprietary fleet could perform the service as cheaply. However, a local association might make a significant contribution to the problems of variable pricing and unreliable scheduling, by contracting with one or more private transporters on behalf of several clubs.

**4.2.2.6** It is difficult to imagine the burley clubs creating an effective lobbying organization at a time when they have not yet mastered the art of club management. It would, of course, be possible to locate effective lobbyists in the general population and to install them as leaders of the association on behalf of the smallholders, but one must question the sustainability of such a solution. If the smallholders cannot effectively control the association, what force will keep it on the right track? What force will work to keep its costs under control? It is easy to imagine such an association causing more problems than it solves. Until such time as the burley clubs are able to perceive the need for political representation and work to make it happen, they may be better represented

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by the donors directly than by an association which owes its existence elsewhere. If such an association is to be formed, it should be based on the expressed needs of the tobacco smallholders and burley clubs should play a significant part in its establishment.

**4.2.2.7** Discussions with TAMA may have a bearing on this issue. All registered growers of Flue-cured and Burley tobacco, on freehold or leased land, become automatically members of TAMA. A levy is imposed as a deduction from sales revenue by AHL on those selling tobacco at auction. So far, the deduction has been also levied on burley clubs, even though they produce on customary land. TAMA recognizes that this places a burden upon them to provide representation to burley clubs. They have indicated a willingness to consider expanding their Council to add one or more Councillors to represent the smallholder segment of the industry. This may not be a perfect solution since the majority of TAMA members are estate owners whose interests differ. Yet participation in TAMA could give the smallholders valuable political experience as well as some influence. If this proves to be inadequate, the smallholders could set up their own association at any time. The purposes of TAMA are compatible with the interests of smallholders and do not preclude the creation of their own association. The objects for which TAMA has been established are:

- (a) To provide and develop the Flue-cured and Burley tobacco industry in Malawi;
- (b) To advance and protect the interests of all tobacco growers; and
- (c) To cooperate with government and other associations, bodies or individuals having similar interests.<sup>5</sup>

**Recommendation:** MoA should encourage burley clubs to participate in the affairs of TAMA including possible assistance in holding elections to select their Councillor(s) should TAMA agree to expand their Council to accommodate smallholder representation.

**Recommendation:** MoA might also wish to sponsor one or two pilot projects to explore the effectiveness of alternative organizational forms in order to promote greater self-reliance among burley clubs and less dependence on MoA. One pilot might explore the usefulness of an association of burley clubs at the EPA level for two or three EPAs. Another might encourage the formation of two or three model cooperatives with burley clubs as branches. By keeping the efforts small, they can be provided every opportunity for success without a major financial commitment.

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<sup>5</sup> Malawi Tobacco Directory.

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By studying such pilot efforts, much could be learned about what will and will not work, what is useful and what is not, and what is cost effective and what is not.

### **4.2.3 Transformation of SACA**

**4.2.3.1** Details of how and when this should be accomplished are still under discussion but it seems that SACA may cease to exist in its present form, by October 1994 at the latest. A substantially private bank may have a different opinion of the credit worthiness of smallholder credit clubs than SACA, which has a specific mandate to support them. Commercial banks are reluctant to deal with entities whose status as legal persons is unclear. The issue is, much wider than just the burley clubs and it may turn out that the proposed rural bank's small farmer credit division will be obliged, by force of circumstances, to operate in a way similar to that now followed by SACA.

### **4.2.4 Separation of Credit & Extension**

**4.2.4.1** The reform of SACA is linked to a parallel commitment: the separation of the extension service from credit matters. It seems that this may have the effect of cutting off the clubs' relationship with their Field Assistants, who are often, de facto, the most committed and useful members of club management teams. The overwhelming evidence of the survey is that without continued access to this source of guidance (and in most cases direct skilled manpower) many clubs will founder.

**Recommendation:** MoA should take deliberate steps to reduce dependence of burley clubs on MoA staff, but should not withdraw assistance until the clubs are prepared to survive without it.

## **4.3 Infrastructural Requirements**

**4.3.1** The related problems of transport and delivery quota have been described in the ACDI SBM report. The present survey confirmed that these are amongst the gravest problems facing smallholder clubs. In this they are not unique, these problems are industry-wide. The arguments in the earlier report for a comprehensive network of satellites, together with compulsory delivery to them for smaller growers, seem to be confirmed. As long as the auctions themselves are choked with irregular deliveries from an increasing number of small growers, the problems will continue to back up through the whole system. Clubs' experience with the three existing satellites seem to confirm this. With a bigger national crop expected again in 1993, it is doubtful whether the

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situation can improve, though TCC and AHL intend to introduce some changes.

**Recommendation:** The ACIDI marketing specialist should work closely with AHL to develop a feasibility study for the proposed satellite network. This has already been costed. It remains to work out financing and develop a model of the benefits to small growers, including clubs.

**4.3.2** Concerning the clubs' own infrastructure, their baling points, no pressing problem or need has been identified, except perhaps that of leaving people to work out what they need themselves.

### 4.4 Market Information

**4.4.1** Burley prices on the auctions are reported regularly on the radio and most smallholders seem aware of them. But these are crude averages of gross prices, which conceal a number of refinements. On average the net price paid to grower was 11.7% less than the average gross price, made up:

-	withholding tax	5.0%	
-	auction charges	3.5%	
-	levy	1.5%	
-	other deductions	1.7%	(max 7.9%; min 0.0%)

The detailed make up of these charges and deductions is explained in an annex to the ACIDI SBM report. The first three charges are fairly constant, though they do vary by +/- 0.1%, due to cumulative rounding and the effect of the different bases for calculation. Other deductions obviously vary more widely as they include transport and rehandling charges. These are itemized on individual sales sheets (though not on the final summary, see Attachment A2.1 in Annex 2).

**4.4.2** These had come as a surprise to many smallholders and there is obviously a widespread ignorance of what these deductions represent and how they are calculated. The MoA staff with whom they are in contact, the Field Assistants, are usually in no better position to advise them.

**Recommendation:** ADDs should provide information to field staff, explaining the exact basis of deductions made by AHL. Field staff must ensure that smallholders clearly understand that their effective average price will be at least 10% less than those announced in the media.

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**4.4.3** Clubs also need training in how to interpret other information on their sales sheets, including the codes of the reasons for rejection ('not in good keeping condition', 'foreign matter', etc.) in order to take steps to prevent these mishaps. The role of the growers' representatives is obviously not at all understood. As for correlating prices received with their own grading, this is a matter of experience and not easy to give instruction on, because of the subjectivity of the grades which all farmers use.

**4.4.5** Perhaps EEST has some training materials which could be passed on to the clubs. (again, see section 4.1.3) Coordination between ADD tobacco specialists and EEST may accomplish this.

### **4.5 Gender-Specific Needs**

**4.5.1** The survey included two all-women clubs which registered this year. It is too early to judge their chances of success but it is clear that women labor under special disadvantages. As a matter of custom, they do not build and must hire men or youths to construct their curing barns. Most of those interviewed reported unambiguously that even members of their own families expected cash payment. This reflects the widespread perception (not confined to smallholder society) of burley tobacco as a "cash machine". It constitutes a direct financial bar to women's participation in the project and it is difficult to see what measures other than cash grants - with all the administrative problems this would entail - could be taken to remove it. The USAID mission has asked SACA to consider making medium term cash loans to women to partially meet the problem.

**4.5.2** Women have access to gender-specific sources of income. Members of one club interviewed raised their club subscriptions by baking, retailing prepared foods, and brewing. It is not suggested that this advantage, if it is one, outweighs the issues of section 4.5.1 above.

**4.5.3** Other clubs included women members, though few attended meetings. Men widely reported that, though women were poorly represented now, many more would join as they saw what could be achieved. Evidently (and naturally, given the traditional reservation of cash crops to men) women are more risk averse.

**4.5.4** There was some confusion, on the ground, in defining this target sub-group, as between "women" or "female headed households". One club interviewed included an estate owner's wife, an impressive person whose commitment to tobacco production, and the affairs of her club, was obviously not in doubt. It was less clear that she represented

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ASAP's target group. Most, though not all, members of the women's clubs interviewed were heads of their households. The few which attended other club interviews seemed evenly divided between the two definitions. Field staff would probably welcome more precise guidance on this question.

### **4.6 Technical Assistance**

#### **4.6.1 Smallholder Marketing**

**4.6.1.1** If this report and its predecessor have value beyond the narrow interpretation of their terms of reference, it is in recording the evolution of the clubs as new actors in Malawi's most vital industry. This task is not best performed in irregular visits by outside consultants. Somewhere in the system someone should be charged with maintaining constant contact with the smallholders and all the agencies with which they interact. This task is the more urgent as fresh donor programs seem likely to be linked to progress in the smallholder burley scheme.

**4.6.1.2** This is not to say that MoA staff are not in constant contact with smallholders. The problem is coordination of the information from the field with that available at AHL, ADMARC, SACA (and its possible descendant), TAMA, EEST and, perhaps, the Registrar of Cooperatives. The present personnel in MoA who bear this responsibility lack the resources to carry out the function. What is immediately needed is an authority (with a small 'a') responsible for reporting the sort of information contained here - expanded and constantly up-dated. The obvious title is 'Smallholder Burley Coordination'.

**4.6.1.3** Where should such a function be located? Though, in the usual run of things, such a donor-supported function might be located in MoA, it is the consultants' view that this coordinating function would best be located in the Tobacco Control Commission (TCC), the only institution representing all sides of the industry (including the Ministry's), specifically charged with industry oversight and, in which, lines of communication with the different institutions involved are more open than they might be from the Ministry alone.

**Recommendation:** GoM should seek donor support to establish a Smallholder Burley Coordination section within the Tobacco Control Commission. The section would serve as a bureau to inform all interested parties of developments in the sub-sector and, when so instructed, to prepare policy options for consideration by MoA.

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### **4.6.2 Small Farmer Organizations**

**4.6.2.1** The most important technical assistance requirement of burley clubs is in the area of club organization and management. Granted, that club members express more interest in assistance in field management and grading, but most of them are already familiar with the basics of tobacco growing, and the resources are in place within the Ministry of Agriculture to assist in those technical areas. The members are very unfamiliar with the gains that can be achieved through cooperative action and the Field Assistants, who are their principal advisers, are themselves unprepared to coach in that arena. SACA is the principal repository of expertise on the operation of farmer clubs, but with limited resources they are understandably highly focused on the provision of farm supplies on credit and the recovery of loans. Their "Farmers' Club Training Manual" is quite appropriate to burley clubs but the rapid expansion to 1,000 clubs in two years has strained the system. There is a big job of "catching up" to do, in terms of making club officers aware both of their leadership responsibilities and of the potential gains from group action.

**Recommendation:** MoA should seek donor support for a farmer organization specialist to assist in the development of a program to improve the operation of clubs.

**4.6.2.2** Some specific tasks that might be undertaken by a farmer organization specialist are as follows:

- \* Work with the MoA Training Unit, SACA, and a training specialist to organize a training program in club leadership and management based on the work SACA has already done in this area.
- \* Work with the MoA Training Unit, MoA field staff, SACA, and a training specialist to organize a training program to promote adoption of a standard record-keeping system for burley clubs, based on recommendations set forth in Annex 1.
- \* Assist the MoA to design, promote, monitor, and evaluate pilot projects in alternative organizational structures for burley clubs as discussed in section 4.2.2.7, above.
- \* Assist the MoA planning unit to create and maintain a database; continuously monitor burley smallholder production, credit, marketing, and organizational problems; and bring them to the attention of concerned parties, assisting in their

## **Smallholder Burley Tobacco Clubs**

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resolution as appropriate.

- \* Assist the MoA to improve the burley smallholder registration system.
- \* Assist the MoA Training Unit to develop a program to inform burley clubs of available options for achieving a more formal legal status, as may be required to meet increasingly stringent requirements for credit, or to achieve other business objectives.

### **4.6.3 Training Methods**

**4.6.3.1** With respect to burley clubs, there is a one time requirement for a massive training program in club leadership and record-keeping. In view of the size and importance of the needed program, it would probably be worthwhile to engage a training methods specialist to help insure that such training is most efficiently conducted, and that maximum learning is achieved for the large expenditure of resources that will be required.

**Recommendation:** MoA should seek donor support for a training methods specialist to assist, on a short-term basis, with the design and conduct of training courses in burley club leadership and record keeping.

**4.6.3.2** Some specific tasks that might be undertaken by a training methods specialist are as follows:

- \* Work with the MoA Training Unit, SACA, and the farmer organization specialist to organize a training program in club leadership and management, based on the work SACA has already done in this area.
- \* Work with the MoA Training Unit, MoA field staff, SACA, and the farmer organization specialist to organize a training program to promote adoption of a standard record-keeping system for burley clubs based on recommendations set forth in Annex 1.

## **5. CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 General**

**5.1.1** The 1991-92 smallholder burley season was a success; qualified certainly, but nonetheless a success. Though uptake may have been disappointing, the overwhelming response to registration for the current season is the measure of the success of those smallholders who took the risk of this opportunity last year. All ADDs were unable to meet demand for smallholder quota, though 7 million kgs were available, maybe three times more than that taken up in 1991-92. This could only have happened if the program had a good reputation, where it counts, among smallholders.

**5.1.2** Club structure is not a problem, *per se*. Few clubs have written constitutions and the ones encountered were inadequate. Yet, the clubs appear to function, with more or less ease, to gather, bale, and market tobacco and to divide the proceeds. In other words, there is no apparent, self-defeating structural defect.

**5.1.3** Club size ranges from six members up to more than 120. Though there are minor economies of scale, operations are largely characterized by variable costs. Because of this and because most of the sale price of tobacco is return to labor, any scale within the practiced range appears to be sustainable.

**5.1.4** Club officers by and large are more focused on crop management than business management. They understand their shortcomings in agronomy and crop handling, particularly grading. However, their shortcomings in business management and club management, of which they are largely unaware, are much more limiting. Club leaders are not well trained in the duties of their offices nor in the functions of clubs. Officers and members alike exhibit a low level of awareness of the club as a vehicle for group dynamics. In short, smallholder burley clubs are in great need of leadership and management training.

**5.1.5** There is apparently no legislative authority for the existence of smallholder burley clubs as they are currently constituted nor any special protection of law as organizations. However, burley clubs have not been constrained in their business objectives due to their legal status. Clubs have had access to farm supplies on credit through SACA and access to the auction floors as well as opportunity to sell to ADMARC. However, there are a number of potential changes in the environment that might make legal status a more important factor in the future. The principal concern is the existing plan to convert SACA into a private bank.

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**5.1.6** Although a number of troubling fairness issues were encountered, the great majority of club members expressed satisfaction that their clubs were fairly managed and that they received fair payment for their tobacco. In most cases of unfairness brought to the attention of MOA personnel, the dispute was resolved amicably when the complainant became aware of all the circumstances. However, club records appear generally inadequate to resolve disputes of fact. Two types of unfair management detected in this study may become an increasing problem as productive capacity of clubs expands in the face of constraining quotas. The first problem is the over production of one member's quota at the expense of others. The second is disproportional access to delivery quota by one member at the expense of others. Burley club records, in general, are inadequate to readily document such problems.

**5.1.7** None of the clubs interviewed in this study produced records that clearly indicate the balance of funds on hand by the club. Few maintain records of individual receipts of production inputs on credit. With respect to tobacco, some clubs have done well in recording members' inventory, some have done well in documenting distribution of proceeds, none in the survey did both well, and most did neither well. This is unacceptable because the tobacco handled by the club represents the bulk of the wealth of each member.

**5.1.8** Lack of confidence in the club's record keeping system is a major impediment to bale sharing. Members fear pooling their tobacco lest they not be properly compensated.

**5.1.9** The record keeping system recommended in Annex 1 to this report may tax the capabilities of some clubs. However, it represents the minimum consistent with the clubs' fiduciary responsibilities to members, creditors, and the public.

## **5.2 Legal Registration**

1. If burley clubs feel compelled by business necessity to become legal entities and if they are prepared to accept the costs and burdens of the attendant reporting requirements, they should seek to become registered as cooperatives. In order to reduce the costs and burdens, they may wish to explore with other burley clubs the possibility of creating a larger cooperative with the clubs as branches. (page 20)

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### **5.3 Training Needs and Technical Assistance**

2. MoA and SACA should make a concerted effort to ensure that office bearers of all 1,000 burley clubs will have received the full course of training set forth in the Farmers Club Training Manual by the end of 1993. (page 30)
3. MoA should organize a joint activity involving SACA, ADD staff dealing with tobacco, and the MoA Training Unit to put into place a record-keeping training program within the first quarter of 1993. Every attempt should be made to introduce such training for all officers of burley clubs nationwide during 1993. (page 31)
4. MoA should seek donor support for a training methods specialist to assist, on a short-term basis, with the design and conduct of training courses in burley club leadership and record keeping. (page 41)
5. MoA should seek donor support for a farmer organization specialist to assist in the development of a program to improve the operation of clubs. (page 40)

### **5.4 National and Regional Structure**

6. MoA should encourage burley clubs to participate in the affairs of TAMA including possible assistance in holding elections to select their Councillor(s) should TAMA agree to expand their Council to accommodate smallholder representation. (page 35)
7. TAMA should communicate the terms and conditions of their membership to the clubs and take steps to ensure that they enjoy equal access to EEST services. (page 32)
8. MoA might also wish to sponsor one or two pilot projects to explore the effectiveness of alternative organizational forms in order to promote greater self-reliance among burley clubs and less dependence on MoA. One pilot might explore the usefulness of an association of burley clubs at the EPA level for two or three EPAs. Another might encourage the formation of two or three model cooperatives with burley clubs as branches. By keeping the efforts small, they can be provided every opportunity for success without a major financial commitment. By studying such pilot efforts, much could be learned about what will and will not

## **Smallholder Burley Tobacco Clubs**

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work, what is useful and what is not, and what is cost effective and what is not. (page 35)

### **5.5 Policy and Operational Issues**

9. MoA should take deliberate steps to reduce dependence of burley clubs on MoA staff, but should not withdraw assistance until the clubs are prepared to survive without it. (page 37)
10. The Quota Allocation Committee at MoA should consider the twin problems of local anomalies in the size of individual quota and discrepancies between club quotas and the sum of individual quotas. Clear guidelines need to be issued to the ADDs as to how they should resolve these problems. Before this is undertaken a report on registration for 1992-93 needs to be prepared. (page 20)
11. ADDs should provide information to field staff, explaining the exact basis of deductions made by AHL. Field staff must ensure that smallholders clearly understand that their effective average price will be at least 10% less than those announced in the media. (page 37)

**PROPOSED RECORD KEEPING SYSTEM**

## **Accounting and Inventory Control Systems for Smallholder Burley Tobacco Clubs**

**A1.1** Consultants were asked to "describe simple and effective accounting and inventory control systems which can be quickly taught to smallholder club and Ministry of Agriculture personnel." To gather background information to carry out this task, consultants interviewed twenty burley clubs at geographically dispersed locations throughout Malawi and made direct observations of their books when available. In responding to this request, the following general principles have been observed:

### **Principle 1: Don't reinvent the wheel.**

Every club visited was making some attempt to maintain accounting and inventory records with varying degrees of effectiveness. The need for a national standard, though recognized by MoA, is only now being addressed, but attempts have been made at standardization within some ADDs. SACA has developed a standardized system for input and loan record keeping of which elements were observed in practice by several clubs. No club visited had a complete set of records sufficient to meet minimum standards. However, where elements of a system already in place are operating effectively, it makes sense to build on these. If important elements are missing, consultants must point this out. Where existing models are overly complex as seems to be the case with some of the SACA material, consultants should suggest simplifications. But, the more nearly any suggested system resembles current systems, the more likely it is to be adopted and properly used.

### **Principle 2: Define minimum standards.**

The target group for burley clubs is farmers with total land holdings of less than 1.5 hectares. As of 1987, 55 percent of the population 5 years and above in Malawi had no formal education. Thus, literacy rates within burley clubs can be expected to be quite low. This was borne out by consultants' interviews of clubs. If record systems are too complex, they will not be used. Therefore, record systems should be kept as simple as possible. However, this must be balanced against the need for accountability in circumstance where club officers are placed in a position of trust and handle other people's property and money. Thus, consultants wish to define a system that meets minimum standards of husbandry with the greatest possible degree of simplicity. If the result is still too complex to be practical, those responsible for implementing the program will need to make reasonable compromises, but it would be best if a standardized system

could be adopted.

**Principle 3: Use common materials.**

At present, the dominant record-keeping medium is the common exercise book with hand-written columns. While more sophisticated organizations would be encouraged to use hard-bound columnar accounting books, it is more important for clubs that they not be frustrated in their efforts to keep records by the lack of suitable materials. Thus, consultants recommend a system based on exercise books. An exception to this rule is made for blank, numbered, carbon-duplicate receipt books which are available at all district trading centers.

**A1.2** Consultants were asked to express an opinion on the fairness of burley club management. As more thoroughly discussed elsewhere, the great majority of club members interviewed expressed complete satisfaction that their club was fairly managed and that they received the payment for their tobacco that was due them. At the same time, however, a number of troubling issues were identified. In nearly every EPA, two or three complaints of unfairness had been brought to MOA personnel. In almost every case, the dispute was resolved amicably when the MOA staff were able to determine that the complaint was groundless and the complainant was satisfied with the explanation. Presumably, however, the basic facts of the matter were not in dispute, because club records observed in this survey were rarely adequate to resolve disputes of fact. Two types of unfair management detected in this study may become an increasing problem as productive capacity of clubs expands in the face of constraining quotas. The first problem is the over production of one member's quota at the expense of others. The second is disproportional access to delivery quota by one member at the expense of others. Burley club records, in general, are inadequate to readily document such problems. An appropriately crafted record keeping system should help to prevent such abuse.

**A1.3** The recommended system comprises three modules for cash management, credit management, and tobacco management. Clubs regularly accept cash from their members for membership fees, for various special assessments as for transportation, and an assortment of miscellaneous cash receipts and disbursements. However, none of the clubs interviewed produced records which clearly indicate the balance of funds on hand by the club. Fortunately, larger amounts of money are generally held in a bank account which is well documented in a passbook. Many, though not all, clubs maintain a receipt book provided by SACA which documents each member's repayment of loans. Far fewer maintain records of individual receipts of production inputs on credit. This is

unacceptable because the whole club is liable for individual defaults. Though SACA has been lenient in enforcing the rules, any club that has not fully repaid its production credit may be refused new loans. Thus, it is imperative for club management to monitor the credit status of each member. With respect to tobacco, some clubs have done well in recording members' inventory, some have done well in documenting distribution of proceeds, none in the survey did both well, and most did neither well. This is unacceptable because the tobacco handled by the club represents the bulk of the wealth of each member.

#### **A1.4 Tobacco Management**

**A1.4.1** Tobacco sold to either ADMARC or to estates is not ordinarily ever handled by the club. It is sold loose, unbaled, and is a private transaction on the part of individual members. Members wishing to sell to the auction floors, however, can only do so through the clubs. Typically, the club member desiring to sell at auction brings his or her tobacco to a central baling and storage shed when it is ready for baling. At this point, members may combine tobacco of a given grade in a shared bale in order to attract a better price. More frequently, however, bales are made up homogeneously of a single member's tobacco. This creates two problems. The first is that the tobacco is, of necessity, coarsely graded resulting in a lower average price. The second is that delivery quota can only be more irregularly allocated among members with whole bales than with shared bales. Lack of confidence in the club's record keeping system is a major contributing factor to these problems because members fear bale sharing lest they not be properly compensated for their tobacco. Thus, the tobacco management system should facilitate bale sharing.

**A1.4.2** Once baled, tobacco is assigned and marked with a bale number. The degree of involvement in the transportation of tobacco by clubs varies. Generally, it seems that the club organizes transport but individual members are expected to contribute directly to the cost. In certain cases clubs have managed to arrange transport on credit, again with individuals meeting charges once sales have been realized. Less often, transport is paid for out of club funds. In some cases, members handle the whole issue of transport as individuals, merely using the club as a formality to channel sales receipts. In the latter case, it is more difficult for the club to manage delivery quota. Consequently, there were numerous violations of delivery quota by burley clubs during the 1991-92 season. Fortunately, Auction Holdings was lenient in such cases, but with increasing congestion and confusion at delivery points, it is questionable whether such lenient treatment can persist. Thus, the tobacco management system should assist club officials to better manage compliance and fairness with respect to delivery quota when

selling at auction.

**A1.4.3** An Auction Holdings Ltd (AHL) Delivery Note (Attachment A1-1), showing the bale ('lot') numbers concerned, accompanies the consignment and is signed by the transporter. The club's duplicate (blue) copy of this document is its record of delivery.

**A1.4.4** Auction Holdings Ltd. provides the club with a sales sheet (Attachment A1-2) which provides a record of transactions conducted on the seller's behalf by the auctioneer. It is up to the club to determine proper distribution of proceeds and to ensure that each member is properly paid. Typically, there are three signatories to the club bank account of which two must be present to make a withdrawal. Almost invariably the Field Assistant (or, less commonly, the Credit Assistant) is present for the withdrawal and distribution of proceeds. In at least one RDP, the Credit Assistant is also a signatory on the club's bank account. Calculations for distribution of proceeds are done based on the sales sheets, often on loose leaf, often not kept. Records are consulted to determine ownership of bales, but distribution of proceeds is not generally linked to the baling records. Thus, it is difficult to trace the tobacco from receipt through disbursement. Receipts may or may not be offered for tobacco and members may or may not be required to sign for receipt of proceeds. The record keeping system should provide a clear record of all tobacco handled by the club and its ultimate disposition. Receipts should be given.

**A1.4.5** Based on the above assumptions about the physical system, the following record system is suggested. It can be implemented in a single exercise book which should be labeled "Tobacco Ledger." The Tobacco Ledger should consist of two parts: (1) Tobacco Receiving and Sales Record, and (2) Member's Tobacco Record. The Tobacco Receiving and Sales Record should be implemented across two pages of the exercise book to accommodate all columns. Several pages should be reserved at the front of the book for this portion of the ledger to accommodate all the bales that will be made by the club with allowance for several lines per bale to accommodate bale sharing. The Member's Tobacco Record should then reflect the tobacco transactions of each member and a page should be established for each. Very large clubs may need to implement the two parts of the Tobacco Ledger in two books.

**A1.4.6** Column headings for the Tobacco Receiving and Sales Record should be as follows. In practice, these columns would be hand ruled and lettered in an exercise book. To see how this would appear, please refer to Figure A1-5-1 in Attachment A1-5.

**Figure A1-1  
Tobacco Receiving and Sales Record (Left Page)**

Tobacco Receiving and Sales Record

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Bale No.	Date Baled	Gr.	Members Sharing	Mem No.	Tob. Rec#	Baled Wt. (kg)	Date Shipped	Delivery Note No.

**Figure A1-2  
Tobacco Receiving and Sales Record (Right Page)**

(10)	(11)	(12)	(13)	(14)	(15)	(16)
Sale Date	Sale Wt.	Gross Amount	Total Deduct.	Paid Out	Member Signature	Date

(1) **Bale Number:** Each bale should be assigned a number in sequence as it is baled and this number marked on the green ticket stitched to it. This will be the lot number used by AHL's accounting system and will appear on the seller's sheet. The Tobacco Receiving and Sales Record should immediately be opened and all available information pertaining to the bale should be recorded as soon as the bale is made. One line of the record will be required for each member sharing a bale plus a summary line for all shared bales. For the sake of readability, it would be better to skip three lines or so between bales to leave room for thumb prints, if necessary. If the club bales tobacco for nonmembers as a revenue generating activity or in reciprocity for other services, such revenue should be separately recorded and the bales produced for this purpose should not be entered in the Tobacco Receiving and Sales Record.

(2) **Date Baled:** Record the date the tobacco was baled. Baling dates should be in chronological order as bale numbers are in sequential order.

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(3) Grade: The club should record its grade estimate. This should help improve grading ability, lead to greater understanding of the desires of the market and, possibly, assist in the resolution of disputes in cases of bale switching or other contentious issues. Bale number, date baled, and grade need only be recorded on the first line for each bale recorded.

(4) Members Sharing: One line should be opened for each member sharing in a bale and an additional line should be opened after all members' data have been recorded and this line should be labeled "Total for Bale #," where # means the number of the bale. Enter the member's name in this column.

(5) Member Number: Each member of the club should be assigned a member number. Record that number in this column for each member sharing in the bale.

(6) Tobacco Receipt Number: Each member should receive a receipt for their tobacco on delivery to the club. See Section A1.4.8 for a discussion of this issue. Enter the receipt number given the member for his or her contribution to the current bale in this column.

(7) Baled Weight (kg): Proper recording of the weight of tobacco contributed by each member to the bale is very important because this is the basis on which proceeds from the sale of the bale will later be distributed. The sum of the individual weights must equal the net weight of the bale.

(8) Date Shipped: This is the date the bale is given to the transporter. The club has a fiduciary responsibility for its members' tobacco until such time as it is either returned to the member or the proceeds from its sale are distributed. When tobacco is transported to the auction floors it is out of the physical custody of the club. Thus, it is very important to properly record transportation data. Enter the date shipped in this column on the "Total for Bale #" line.

(9) Delivery Note Number: Record the serial number from the Delivery Note on the "Total for Bale #" line. The Delivery Note should clearly reflect the name of the shipper and vehicle number. The club should maintain elsewhere in its records full information on the shipper including address and how to contact. It is better to use a shipper known personally by members of the club, if possible. Next best is a local shipper whose business is known to be successful. Otherwise, shipper information becomes even more important. If tobacco is returned to the members, this should be noted in this column on the "Total for Bale #" line and each member sharing in the bale should sign on their line signifying the return of their property.

(10) Sale Date: This is the Sale Date as recorded on the Auction Holdings Ltd. Seller's Sheet.

(11) Sale Weight: This is the weight on which the sales price of the bale was calculated. This will normally differ somewhat from baling weight due to changes in moisture content and differences in scales. Enter the sale weight corresponding to the "WGT" amount for the bale on the AHL Seller's Sheet in this column on the "Total for Bale #" line.

(12) Gross Amount: This is the sale price of the bale before any deductions. It corresponds to the amount entered in the "Value/Reject" column of the Auction Holdings Ltd. Seller's Sheet. Enter this amount in this column on the "Total for Bale #" line. In order to properly apportion net proceeds from sale, when members share bales, it is necessary to calculate each member's share of the gross amount. This is done in proportion to each member's share of baled weight as the ratio of the member's amount compared to the total amount in column (7). The sum of the members entries must equal the total gross amount.

(13) Total Deductions: This is the total amount of money deducted for various items from the gross amount to determine net return to seller. AHL makes a distinction between charges and deductions which is not especially relevant for this record, with the possible exception of withholding tax. Since the several charges and deductions are based on various criteria such as per bale, per kilogram, or per sales price, clubs may wish to introduce more accurate though more complex formulas for apportionment of deductions and determination of net proceeds to members. An example of how to do this is reproduced as Attachment A1-4. However, for the sake of simplicity, the recommended system is to apportion all deductions as a percent of sales price. Since over 90% of deductions are apportioned on this basis, its more general use should produce minimal distortion. With respect to sales at auction, this would be accomplished by adding the amounts labeled "Total Charges" and "Total Deductions" appearing on the Seller's Sheet in the "Today" column and dividing the sum by the amount labeled "Gross Proceeds" to compute "Deduction Factor." This calculation should be performed in writing on the Seller's Sheet or on a separate piece of paper filed with it. The amount to enter in the "Total Deductions" column then would be the product of the "Deduction Factor" times the "Gross Amount" shown in column (12). The sum of members' deductions must equal the total deductions allocated to the bale.

(14) Paid Out: Net proceeds to members can then be calculated as the difference between Gross Amount, column (12), and Total Deductions, column (13). This is the amount to

be paid out to each member. Care should be taken that the sum of amounts to be paid for members sharing a bale equals the net value of the bale and that the sum of all amounts to be paid out for all bales is equal to the "Amount Paid" on the Seller's Sheet prior to disbursing any funds. An example of how to calculate and record tobacco receipts and sale is given in Attachment A1-5.

(15) Member Signature: Each member should sign in acknowledgement of the distribution of proceeds from the sale of tobacco.

(16) Date: The member should date his or her signature.

**A1.4.7** Each page of the Member's Tobacco Record should be set up as follows.

**Figure A1-3  
Member's Tobacco Record**

(1) Member's Name: \_\_\_\_\_ (2) Mem. No. \_\_\_\_\_

(3) Member's Quota: \_\_\_\_\_

(4) Bale No.	(5) Date Baled	(6) Baled Wt. (kg)	(7) Date Shipped	(8) Sale Date	(9) Paid Out

(1) Member's Name: In this record, there is one page for each member. Enter the member's name here.

(2) Member Number: Each member should be assigned a number. Enter the member number here.

(3) Member's Quota: Each member is individually licensed to produce only up to a maximum amount. This record will assist the club to ensure and demonstrate equitable treatment of members with respect to allocation of quota.

(4) Bale Number: This will tie the Member's Tobacco Record to the Tobacco Receiving and Sales Record for cross reference.

(5) Date Baled: This will help to determine when members are able to bring forth their tobacco for baling.

(6) Baled Weight (kg): This will record amount each member is sharing in bales. Total baled weight should not exceed quota.

(7) Date Shipped: This will show how well each member has done with respect to delivery quota. Also, compared with date baled, it will show how members compare with respect to amount of time their tobacco remains in club inventory.

(8) Sale Date: This ties the Member's Tobacco Record to the AHL Seller's Sheet for cross reference. If the bale is rejected or withdrawn on first offer, the sale date will be that on which the sale is later successfully made. If the member decides to withdraw the tobacco from the club for any reason, this column and the next should be marked "Returned to Member."

(9) Paid Out: The sum of the payouts can demonstrate the absolute and relative returns from sales at auction.

**A1.4.8** Receipts should be provided to members when they leave their tobacco in the custody of the club. Mzuzu ADD has produced a very functional two-part receipt book for this purpose which it sells to clubs for MK 22.50. In lieu of preprinted forms it may be more convenient and economical to use blank, numbered, carbon-duplicate receipt books which are available at all district trading centers. An example of how to set up a blank receipt book as a Tobacco Receipt is shown in Attachment A1-3. This should be quite adequate provided the information set forth in Figure A1-4 is recorded for each receipt.

**Figure A1-4  
Tobacco Receipt**

Name of Club: \_\_\_\_\_ Reg. No. \_\_\_\_\_  
ADD: \_\_\_\_\_ RDP: \_\_\_\_\_ EPA: \_\_\_\_\_  
Date: \_\_\_\_\_  
Member Name: \_\_\_\_\_ Mem. No. \_\_\_\_\_  
Bale No. \_\_\_\_\_ Grade: \_\_\_\_\_ Weight Received (kg): \_\_\_\_\_  
Received By: \_\_\_\_\_ Position: \_\_\_\_\_

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**A1.5        Credit Management**

**A1.5.1**        Systems for credit management are more highly developed than for tobacco management since this element is common to all SACA farmers clubs. Unfortunately, due to the rapid formation of burley clubs, few have been trained in the use of credit records. Existing records are poor. SACA has produced a training manual for farmer clubs of which one module is devoted to credit records. The recommendations in this section are based on the SACA training manual with suggested modifications for burley clubs. Two types of records are recommended: (1) Club Loan Records which detail club liability for loans, and (2) Member Loan Records which detail each member's liability to the club for loans. These records correspond to Example 5 (General Ledger) and Example 4 (Borrower's Ledger) in the SACA training manual. A full set of records should be maintained for each type of loan. It is, therefore, recommended to maintain a separate book for seasonal loans and for each medium term loan. Thus, a club with seasonal loans plus loans for a baling press and scales would maintain three sets of books, unless the baling press and scales were part of the same medium term loan, in which case only two books would be necessary. In addition, each member should be given a written receipt whenever repaying loans. SACA has recommended a specialized receipt for this purpose as Example 3 of its training manual. Several of the clubs visited in this study were using two-part receipt books of this type that were preprinted and distributed by SACA.

**A1.5.2**        Seasonal loans should be recorded in a book marked "Seasonal Loan Ledger for \_\_\_\_\_ Season." This book should comprise three parts: (1) the Club Loan Record, (2) Loan Detail Record, and (3) Member Loan Records. several pages should be reserved for parts one and two before setting up the members ledger.

**A1.5.3** The Club Loan Record for seasonal loans should be laid out as follows.

**Figure A1-5  
Club Loan Record, Seasonal Loans**

(1) Club Name: \_\_\_\_\_ (2) Reg. No. \_\_\_\_\_

(3) Credit Season: \_\_\_\_\_

(4) Date	(5) Ref. No.	(6) Description	(7) Loan Issued	(8) Amount Paid	(9) Balance
=====					

(1) to (3) are self-explanatory.

(4) Date: This is the transaction date for either a loan receipt or repayment.

(5) Reference Number: This may be the Loan Detail Record Number, a payment receipt number or other appropriate number.

(6) Description: The entry in this column should explain the nature of the transaction.

(7) Loan Issued: Record the total value of seasonal loans received on the given transaction date.

(8) Amount Paid: Record the amount of each repayment in this column.

(9) Balance: Calculate the remaining balance of the loan and enter in this column.

**A1.5.4** Since seasonal loans are generally issued in several installments corresponding to the availability of production inputs and since these are issued in variable amounts to club members, a separate record should be kept of every issuance date detailing what each member received. The Loan Detail Record should be posted to both the Club Loan Record and the Member Loan Records. Layout for this record should be as follows.

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**Figure A1-6  
Loan Detail Record, Seasonal Loans**

(1) Club Name: \_\_\_\_\_ (2) Reg. No. \_\_\_\_\_  
 (3) Transaction Date: \_\_\_\_\_

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(4) Member	(5) Mem. No.	(6) Item	(7) Quantity	(8) Rate	(9) Amount	(10) Member Total	(11) Init.
=====	=====	=====	=====	=====	=====	=====	=====

(1) and (2) are self-explanatory.

(3) Transaction Date: This is key to this record since one page should be opened for every date that inputs are distributed to members on credit.

(4) Member: Record the name of each member receiving inputs this date as they receive their supplies.

(5) Member Number: Record the member's number.

(6) Item: Name the item being received on credit. Use a separate line for each item received.

(7) Quantity: Record the quantity of each item received in its customary unit of issue.

(8) Rate: Record the rate per unit at which the item is valued including service fee.

(9) Amount: Calculate the amount of loan for each item and enter in this column.

(10) Member Total: Sum the amounts for each item received by a member and place the total here. This column should be totaled for the whole sheet and the sum should be equal to the new loan amount for the day.

(11) Initials: Each member should initial the members total shown in this record to acknowledge receipt of the production inputs and the liability to the club for repayment.

**A1.5.5** Finally, a record must be kept of each member's loan liability for Seasonal Loans. The layout for the Member Loan Record is as follows.



**Figure A1-7  
Member Loan Record, Seasonal Loans**

(1) Member Name: \_\_\_\_\_ (2) Mem. No. \_\_\_\_\_  
 (3) Credit Season: \_\_\_\_\_

(4) Date	(5) Ref. No.	(6) Description	(7) Loan Issued	(8) Amount Paid	(9) Balance
=====	=====	=====	=====	=====	=====

(1) to (3) are self-explanatory.

(4) Date: This is the transaction date for either a loan receipt or repayment.

(5) Reference Number: This may be the Loan Detail Record Number, a payment receipt number or other appropriate number.

(6) Description: The entry in this column should explain the nature of the transaction.

(7) Loan Issued: Record the total value of seasonal loans received on the given transaction date.

(8) Amount Paid: Record the amount of each repayment in this column.

(9) Balance: Calculate the remaining balance of the loan and enter in this column.

**A1.5.6** A similar book should be opened for each medium term loan taken by the club. The Loan Detail Record may be considerably simpler than for seasonal loans since it is usually a simple apportionment of the total loan to all members and usually only occurs on one date. Conceptually, however, the records take the same form.

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**A1.6      Cash Management**

**A1.6.1**      No club visited in this study had records adequate to determine how much cash the club Treasurer should have in his or her custody. This should be the principal objective of the cash management system. Controls on bank accounts are strict and passbooks properly document deposits, withdrawals, and current balance. What is needed is a Cash Receipts and Disbursements Journal. Such a journal is described in the SACA "Farmers' Club Training Manual" in Example 2 under the title "Receipts and Expenditure Ledger." For the sake of consistency the SACA nomenclature will be adopted in this report. The Receipts and Expenditure Ledger is, therefore, the centerpiece of the cash management system. It must integrate the cash flows from transactions primarily recorded in the tobacco management system, the credit management system, and the bank account passbook. One special cash record is recommended here for members's cash transactions which is called the Members' Fees and Assessments Record. In addition, various miscellaneous items of income and expense should be entered directly into the Receipts and Expenditure Ledger. Both types of cash management records should be implemented in a single exercise book, if possible. Several pages should be reserved for the Members' Fees and Assessments Record in the front of the book before opening the Receipts and Expenditures Ledger. Finally, cash receipts should be issued whenever cash is accepted on behalf of the club.

**A1.6.2** The "Members' Fees and Assessments Record" is suggested as a convenient way for the Treasurer to check whether each member is paid up and also to accumulate collections of fees at meetings so that fewer entries need be made in the Receipts and Expenditure Ledger. All the members would be listed in the Record in member number order and columns would represent collections for a single purpose on a single date. If two types of collections are made on a single date, two columns should be used. If collections for a single purpose, such as membership fees are made on different dates, separate columns should be used for each date. In this way, the column for each date and purpose can be totaled and only the total entered in the Receipts and Expenditure Ledger. It is then easy to read across the page for each member to determine which fees and assessments have been paid. The Members' Fees and Assessments Record should be set up as follows.

**Figure A1-8  
Members' Fees and Assessments Record**

Members' Fees and Assessments Record

(1)	(2)	(3)	(4)	(5)	(6)
Mem. No.	Member Name	<u>Purpose</u> Date			
=====					
1					
2					
:					
:					
n					
<b>Total</b>					

To use the Members' Fees and Assessments Record enter the membership list in columns (1) and (2). Then for each column enter the purpose and date of collection and enter the amount paid by each member on that date for that purpose in the column head. When all collections for the date are complete, total the column and post the result to the Receipts and Expenditure Ledger.

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**A1.6.3** The Receipts and Expenditure Ledger is the Treasurer's main tool for managing the cash entrusted to his or her care. The layout suggested here has only one small modification from that presented in Example 2 of the SACA Farmers' Club Training Manual and that is the substitution of the term Reference Number for Receipt Number in column (2) in order to make it more general.

**Figure A1-9  
Receipts and Expenditure Ledger**

Receipts and Expenditure Ledger

(1)	(2)	(3)	(4)	(5)	(6)
Date	Ref. No.	Source/Purpose	Income	Expense	Balance
=====					
Balance B/F					
-----					
Carried forward					
-----					

(1) Date: Enter the date of each transaction.

(2) Reference Number: For cash receipts, this should be the number of the receipt issued, except for fees and assessments received from members. In the latter case, total collections for a date should be entered from the Members' Fees and Assessments Record. The reference number then would be FA(n) where FA stands for Members Fees and Assessments Record and (n) stands for the number of the column from which the total cash collection is being posted. When amounts are paid out for tobacco, these should be recorded by the bale and referenced as TRS(n) where TRS stands for the Tobacco Receiving and Sales Record and (n) stands for the bale number. When members repay loans to the club, the reference number is the cash receipt number. When the club repays loans to SACA or elsewhere, the reference number is CLR(ref) where CLR stands for the Club Loan Record and (ref) stands for any reference number associated with that transaction. Whenever cash is deposited or withdrawn from the bank, the reference number should be PB(n) where PB stands for passbook and (n) stands for the page number of the passbook where the transaction is recorded. Some miscellaneous cash

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receipts and disbursements such as the purchase of refreshments may not have a reference number.

(3) Source/Purpose: This column should describe the purpose of the transaction, e.g. "Refreshments" or "John's seasonal loan."

(4) Income: Any cash amount received by the Treasurer.

(5) Expenses: Any cash amount paid out by the Treasurer.

(6) Balance: Numerically, this is the previous balance increased or decreased by the amount of the current income or expense item being recorded. Consequentially, this is the amount of money the Treasurer should have in cash in his or her custody at the present time.

**A1.7      Responsibility for Implementing the System**

The consultants recognize that the record keeping system recommended herein represents much more work than burley clubs are accustomed to performing and may tax the capabilities of some clubs. However, it represents the minimum consistent with the clubs' fiduciary responsibilities to members, creditors, and the public. One way to reduce the burden is for several officers of the club to share the responsibilities. It is probably best for the Treasurer to maintain the Receipts and Expenditure Ledger as recommended by SACA in order to promote proper reconciliation of cash on hand. However, the tobacco and credit management books could be maintained by other competent officers, provided any cash receipts are promptly transferred to the custody of the Treasurer and all books are properly posted without delay. Where possible, this sort of duty sharing is probably a good idea for two reasons. First, books are only useful if they are properly maintained. The system may break down if too much of the burden is placed on one individual. A second reason is a matter of checks and balances. Since disbursement of tobacco receipts and repayment of seasonal loans by members represent the big-ticket cash transactions, it is better to have another officer in addition to the Treasurer involved.

Attachment A1-1

Auction Holdings Ltd  
Delivery Note



**AUCTION HOLDINGS LTD.**

P.O. Box 35  
Kanengo  
LILONGWE 4  
Tel. 765 377

P.O. Box 5088  
LIMBE  
Tel. 640 377

DELIVERY NOTE  
LILONGWE/LIMBE

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**FLUE-CURED/BURLEY/DARK FIRED**

CONSIGNED TO AHL. Date .....

GROWER'S NUMBER ..... TEL. No.....

NAME .....

QUOTA PERIOD: BASIC plus/minus ..... %

..... Total = .....

NUMBER OF BALES ON LORRY .....

NUMBER OF BALES ON 2nd LORRY  
(if applicable) .....

FIRST SALE GROUP Numbers 1 to .....

SECOND SALE GROUP Numbers ..... to.....

APPROXIMATE WEIGHT .....

TRANSPORT USED .....

SIGNED: .....

BP&P LILONGWE PRESS

REMARKS: TIME IN ..... DATE IN.....



TIME OUT ..... DATE OUT.....

SIGNED: .....

**AHL ACCEPTS RESPONSIBILITY ONLY AFTER OFFLOADING OF TOBACCO BALES**

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BP&P LILONGWE PRESS

5

# AUCTION HOLDINGS LTD.

## SELLER'S SHEET

TO  
 KAPIRI EURLEY CLUB,  
 KAPIRI CLLB,  
 P.O. BOX 449,  
 KASUNGU.

COMES  
 TO  
 NEM, KASUNGU BRANCH,  
 P.O. BOX 228,  
 KASUNGU.

EURLEY  
 GROWER NUMBER 30E10  
 SALE NUMBER 1C7  
 SALE DATE 10SEP92  
 RECEIPT CL116E41  
 SHEET NUMBER 16

LOT NUMBER	TICKET NUMBER	CLASS	WGT KGS	PRICE T/KG	VALUE /REJECT	DEST DECLARATIONS	LOT NUMBER	TICKET NUMBER	CLASS	WGT KGS	PRICE T/KG	VALUE /REJECT	DEST DECLARATIONS
00001A	1C707888	T2CK	110	450	495.00	L	00146	1C707898	L30J	93	550	511.50	CL
00137	1C707889	LD	115	450	517.50	O	00147	1C707899	T10	51	550	280.50	O
00138	1C707890	L30	90	620	558.00	CL	00148	1C707900	L30	65	550	357.50	L
00139	1C707891	L3C	99	601	594.99	CL	00149	1C707901	LD	115	460	532.00	C
00140	1C707892	LD	110	601	661.10	O	00150	1C707902	T20	104	500	520.00	L
00141	1C707893	L3CK	91	600	546.00	O	00151	1C707903	T20J	96	501	480.96	L
00142	1C707894	LD	77	450	346.50	L	00153	1C707904	T20J	86	501	430.86	O
00143	1C707895	T2CK	81	600	MXC/T	TILB	00154	1C707905	T20K	75	501	375.75	L
00144	1C707896	L3C	88	600	528.00	CL	00155	1C707906	T20	88	501	440.88	CL
00145	1C707897	LD	79	500	395.00	L	00156	1C707907	LD	64	21	13.44	L

Attachment A1-2

CHARGES	AMOUNT	CREDITOR	REFERENCE	AMOUNT	SUMMARY	TODAY	THIS MONTH	THIS SEASON
AUCTION FEE	279.68	WITHHOLDING TAX		430.27	BALES OFFERED	20	*****	*****
CESS	12.21	AHL-KASUNGU TRANSPOR	78552	220.00	BALES SOLD	19		135
HESSIAN	23.75				WEIGHT SOLD	1696	2969	9379
TRIM RESEARCH	55.94				GROSS PROCEEDS	2603.48	17049.33	63116.49
ESTATE EXTENSION	30.12				YOUR AVERAGE	507.40	574.25	672.96
TOB ASSOC LEVY	21.20				NATIONAL AVERAGE		673.58	673.59
TOB ASSOC CLASS	16.96				TOTAL CHARGES	448.34	877.64	3172.68
STABILISATION	8.49				NET PROCEEDS	8157.14	16171.74	55939.81
					TOTAL DEDUCTIONS	650.27	1572.48	4289.83
<b>TOTAL CHARGES</b>	<b>448.34</b>	<b>TOTAL DEDUCTIONS</b>		<b>650.27</b>	<b>AMOUNT PAID</b>	<b>7506.87</b>	<b>14599.26</b>	<b>55649.98</b>

THE AMOUNT PAID HAS BEEN DEPOSITED IN A/C NO. 13109C574 A KASUNGU BRANCH. OF NATIONAL BANK OF MALAWI

Attachment A1-3

Settign up a Blank Receipt Book  
To Serve as Tobacco Receipt

TOBACCO RECEIPT 100

----- CLUB ----- REG.No.  
----- ADD ----- RDP  
----- EPA ----- / ----- / ----- DATE

---

MEMBER NAME ----- No -----  
WEIGHT RECEIVED ----- KGS.  
GRADE -----  
BALE NO. -----

-----  
(RECEIVED BY) (POSITION)  
-----

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There are three kinds of charge or deduction: those calculated on a percentage basis, those calculated on a flat charge per kilo sold and those calculated on a flat charge per bale. This is the order they appear in the seller's sheet (Limbe auctions, Lilongwe may be different.)

CHARGES		CREDITOR	
Auction Fee	%	Withholding tax	%
Cess	U/kg	Transporters	K/bale
Hessian	K/bale	Rehandlers	(see notes on page 2).
TAMA/FES Fund Levy	%		
TRIM Research Levy	%		
Tob Assoc Levy	U/kg		
Tob Assoc Class	U/kg		
Stabilisation	U/kg		

Rearranging these, we get the following, with the rates used:

Auction Fee	3.25%	Cess (TCC)	0.720	U/kg
Withholding tax	5.00%	Tob Assoc Levy	0.525	U/kg
TRIM Research Levy	0.65%	Stabilisation	0.050	U/kg
TAMA/FES Fund Levy	0.35%	Tob Assoc Class	0.750	U/kg
<b>Total, % basis</b>	<b>9.25%</b>	<b>Total, U/kg basis</b>	<b>2.045</b>	<b>U/kg</b>
		Hessian	1.25	K/bale
		Transporters	na	K/bale

Suppose a club sells four bales, we can work out from the seller's sheet what the deductions on a percent basis should be for each bale (or "lot"):

LOT NUMBER	WGT KGS	PRICE T/KG	Gross Proceeds	% basis
1	91	5.60	509.60	47.14 K )
2	68	6.73	457.64	42.33 K ) to be
3	85	7.80	663.00	61.33 K ) deducted
4	43	7.40	318.20	29.43 K )
<b>Total</b>	<b>287</b>		<b>1,948.44</b>	

We can then work out what the deductions on a U/kg basis should be:

LOT NUMBER	WGT KGS	U/kg basis	Note: All these numbers rounded to the nearest tambala at each stage.
1	91	186.10	or 1.86 K )
2	68	139.06	or 1.39 K ) to be
3	85	173.83	or 1.74 K ) deducted
4	43	87.94	or 0.88 K )

The net proceeds payable to members are therefore:

LOT NUMBER	Gross Proceeds	% basis	U/kg basis	Hessian	Net Proceeds
1	509.60	(47.14)	(1.86)	(1.25)	459.35
2	457.64	(42.33)	(1.39)	(1.25)	412.67
3	663.00	(61.33)	(1.74)	(1.25)	598.68
4	318.20	(29.43)	(0.88)	(1.25)	286.64
<b>Total</b>	<b>1,948.44</b>	<b>(180.23)</b>	<b>(5.87)</b>	<b>(5.00)</b>	<b>1,757.34</b>

To check the charges + deductions, add them together and compare with the seller's sheet.

180.23	+	5.87	+	5.00	=	191.10
--------	---	------	---	------	---	--------

## Notes:

1 Transport charges vary from place to place. They will particularly affect clubs using Auction Holdings satellites (eg, Mzuzu). Not all clubs will face these charges. If they have arranged, and paid for, their own transport no charges will appear on the sheet. Transport deductions are made on a per bale basis. Divide the total under Creditor by number of lots and deduct accordingly. If bales are rejected, carry forward the deduction until the lot is sold (see 3).

2 The name under "Creditor" is that of the transport/rehandling company concerned

3 Rehandling charges are made on a number of different t/kg bases, depending on what needs to be done to a lot, ie. mixed/regrade, mouldy, foreign matter etc. The only way of dealing with these deductions is to keep track of reject bales and, when they are sold, apportion these costs on a t/kg basis, pro rata. To apportion actual rehandling charges to individual lots is too complicated to attempt. Fortunately, re-handled lots usually appear on a separate seller's sheet, as they form a separate consignment. Don't forget to locate any transport charges (from earlier sheets) which may apply to rehandled lot numbers. They will have been deducted from the sheet when the lot was first delivered to Auction Holdings.

4. A number of clubs (RDPs) have already started apportioning charges and deductions on a simpler than that shown above; by just dividing all charges and deductions by total kgs sold, multiplying the resulting deductions per kg by the lot weight to reach the net proceeds figure per bale. This is not strictly correct and has the result that members with better quality tobacco end up subsidising those with lower prices. To see how this is so the example on page 1 is reworked below.

Total deductions		-		191.10 Kwacha /		Total weight		287 kgs =		0.67 K/kg. deductions		
LOT NUMBER	WGT KGS					Gross Proceeds	Net (A) Proceeds	Net (B) Proceeds	Gain/Loss	PRICE T/KG		
1	91	x		0.67	=	(60.59)	449.01	459.35	10.34	5.60		
2	68	x		0.67	=	(45.28)	412.36	412.67	0.31	6.73		
3	85	x		0.67	=	(56.60)	606.40	598.68	-7.72	7.80		
4	43	x		0.67	=	(28.63)	289.57	286.64	-2.93	7.40		
	---											
	287					1948.44	1757.34	1757.34				

Net Proceeds A = simple method; B = method on page 1. It can be seen that the member(s) with the lowest price, hence the poorest tobacco, gains more than K 10; while the best tobacco is penalised. Strictly speaking, this is unfair. However, it is simpler and field staff may decide that the complications in explaining the more correct method to smallholders (and the chances of error) are not worth the small gain in fairness.

**ATTACHMENT A1-5**

**Using the Tobacco Receiving and Sales Record  
and Calculating Proceeds of Sale**

**A1-5.1** To demonstrate the use of the Tobacco Receiving and Sales Record and calculation of proceeds of sale, consider the data provided in Attachment A1-4. Assume that all bales in the sale represented by the seller's sheet in that attachment lost 2% of their weight in shipment. Then the record for Bale #1 might be recorded as follows.

Tobacco Receiving and Sales Record [left page]

(1) Bale No.	(2) Date Baled	(3) Gr.	(4) Members Sharing	(5) Mem No.	(6) Tob. Rec#	(7) Baled Wt. (kg)	(8) Date Shipped	(9) Delivery Note No
1	30/4		Mr. X	4	0001	42		
			Mr. Y	17	0002	30		
			Mr. Z	12	0003	21		
Total for bale #1					93		4/5	0941

Tobacco Receiving and Sales Record [right page]

(10) Sale Date	(11) Sale Wt.	(12) Gross Amount	(13) Total Deduct.	(14) Paid Out	(15) Member Signature	(16) Date
		230.14	22.58	207.56	Mr. X	25/5
		164.39	16.13	148.26	Mr. Y	25/5
		115.07	11.29	103.78	Mr. Z	25/5
11/5	91	509.60	50.00	459.60		

**A1-5.2** The first entry was made to the record on April 30 when bale #1 was made. Columns (1) through (7) were completed at that time. Note that there were three

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members sharing in bale #1, Mr. X, Mr. Y, and Mr. Z. The weight of each member's tobacco was recorded in column (7) and a total line was created and the total weight recorded as the sum of the individual weights.

**A1-5.3** The second entry was made to the record on May 4 when the bale was shipped. Columns (8) and (9) were used to record the shipping date and Delivery Note Number.

**A1-5.4** The final entries were made on May 25 when the proceeds of sale were distributed. The Sale Date was recorded in Column (10) as taken from the seller's sheet. The total Gross Amount of 509.60 is the gross amount for bale #1 on the seller's sheet. This amount is allocated to the members based on the numbers in column (7) as follows:

Mr. X	42/93	x	509.60	=	230.14
Mr. Y	30/93	x	509.60	=	164.39
Mr. Z	21/93	x	509.60	=	115.07

**A1-5.5** To calculate Total Deductions for column (13) it is first necessary to calculate the Deduction Factor on the seller's sheet. Four bales were sold on May 11. According to Attachment A1-4, information taken from the seller's sheet indicates the following:

LOT No.	WGT kgs	Gross Proceeds	DEDUCTIONS				Total Deductions
			% basis	t/kg basis	Hessian		
1	91	509.60	47.14	1.86	1.25	50.25	
2	68	457.64	42.33	1.39	1.25	44.97	
3	85	663.00	61.33	1.74	1.25	64.32	
4	43	318.20	29.43	0.88	1.25	31.56	
TOT	287	1948.44				191.10	

Thus, the Deduction Factor = Total Deductions/Gross Proceeds  
 = 191.10/1948.44  
 = 0.0981

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**A1-5.6** With the Deduction Factor in hand, it is a simple matter to calculate deductions for column 13 as follows:

	Gross Amount	Deduction Factor	=	Total Deductions
Mr. X	230.14 x	0.0981	=	22.58
Mr. Y	164.39 x	0.0981	=	16.13
Mr. Z	115.07 x	0.0981	=	11.29
Total	509.60			50.00

Note the slight difference between the calculated deductions and the actual for bale #1 (50.00 vs. 50.25). For the data provided in Attachment A1-4, the biggest difference is MK 0.72 for bale #3. If clubs can live with this magnitude of error, much computational effort can be avoided.

**A1-5.7** Column (14), Paid Out, then is just the difference between columns (12) and (13). Each member signs and dates the book as his payout is received.

**A1-5.8** Figure A1-5-1 which follows shows how the Tobacco Receiving and Sales Record would appear when hand written in an exercise book. The entries are based on the sales information contained in Attachment A1-4.

**A1-5.9** The Treasurer should reconcile the payments made for each sale with the Tobacco Receiving and Sales Record and the seller's sheet. For the example in Figure A1-5-1, the reconciliation is as follows:

	<u>Paid Out</u>
Bale #1	459.60
Bale #2	412.75
Bale #3	597.96
Bale #4	<u>286.98</u>
	1,757.29
Total net proceeds per seller's sheet	1,757.34
Difference (due to rounding)	0.05

TOBACCO RECEIVING AND SALES RECORD

TOBACCO RECEIVING AND SALES RECORD

(1) SALE No	(2) DATE BALE	(3) GRADE	(4) MEMBERS SHARING	(5) MEM. No.	(6) TOS. RECP	(7) WEIGHT (KGS)	(8) DATE SHIPPED	(9) DETL. PRICE	(10) SALE DATE	(11) SALE WEIGHT	(12) GROSS AMOUNT	(13) TOTAL DEDUCTIONS	(14) PAID OUT	(15) MEMBER'S SIGNATURE	(16) DATE
1	30/4		MR. X	4	0001	42					230.14	22.58	207.56	MR. X	25/5
			MR. Y	17	0002	30					164.39	16.13	148.26	MR. Y	25/5
			MR. Z	12	0003	21					117.07	11.29	103.78	MR. Z	25/5
TOTAL FOR SALE #1 93 4/5 0941 11/5 91 509.60 50.00 459.60															
2.	30/4		Ms S	1	0004	40					261.51	25.65	235.86	Ms S	25/5
			Mr T	27	0005	30					196.13	19.24	176.89	Mr T	25/5
TOTAL FOR SALE #2 70 4/5 0941 11/5 68 457.64 44.89 412.75															

Figure A1-5-1

TOBACCO RECEIVING AND SALES RECORD

TOBACCO RECEIVING AND SALES RECORD

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
BALE No	DATE	GRADE	MEMBERS SHARING	ASH. No.	Tob. RECD.	WEIGHT (KGS)	DATE SHIPPED	DEL. No.	SALE DATE	SALE WEIGHT	GROSS AMOUNT	TOTAL DEDUCTIONS	PAID OUT	MEMBER'S SIGNATURE	DATE
3	1/5		MR. A	7	0006	42					320.07	31.40	288.67	MR. A	25/5
			MR. B	3	0007	45					342.93	33.64	309.29	MR. B	25/5
TOTAL FOR BALE # 3						87	4/5	0941	1/5	85	663.00	65.04	597.96		
4	1/5		MRS W	15	0008	44	4/5	0941	1/5	43	318.20	31.22	286.98	MRS W	25/5

Figure AI-5-1

**ANALYSIS OF CLUB SALES THROUGH AHL, 1991-92 SEASON**

### Analysis of Club Sales through AHL, 1991-92 Season

Analysis of the final seller's sheets of all 206 clubs selling on the auction floors follows in a series of tables, listed below. Commentary is made in the main text of the report. Measures of variance are confined to maxima and minima.

<u>Table</u>	<u>Page</u>
A2.1 Clubs Selling through AHL, by ADD . . . . .	2
A2.2 AHL Sales and Quotas (kgs) . . . . .	3
A2.3 AHL Sales and Quotas (%) . . . . .	3
A2.4 Members and Members per Club . . . . .	4
A2.5 Members, by Weight Sold/Club, by groups (n) . . . . .	4
A2.6 Weight Sold & Licensed Weight/Club . . . . .	5
A2.7 Weight Sold/Club, by group (n) . . . . .	5
A2.8 Weight Sold/Club, by group ('000 kg) . . . . .	6
A2.9 Weight Sold/Club, by group (%) . . . . .	6
A2.10 Club Weight Sold as % of Licensed Weight . . . . .	7
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**Table A2.1 Clubs Selling through AHL, by ADD**

ADD	Clubs (1)		Auctions (2)			Balance (3)
	Registered		Lilongwe	Limbe	Total	
Karonga	(4)	14	-	-	na	14
Mzuzu		72	64	-	64	8
Kasungu		51	39	-	39	12
Lilongwe	(5)	30	1	12	12	18
Salima	(6)	nil	na	na	na	na
Liwonde		106	-	82	82	24
Blantyre		42	-	9	9	33
Ngabu	(6)	<u>nil</u>	<u>na</u>	<u>na</u>	<u>na</u>	<u>na</u>
Total		315	104	103	206	109

Notes:

(1) Source: ACDI marketing report, Table 5; from MoA minutes of 9.4.92. See text for discussion of inconsistencies in these figures.

(2) Source: AHL sales records. These figures do not, it seems, include registered sellers which failed to make any sales at all. It is possible there are some of these.

(3) Selling through either ADMARC or estates. Since in both these markets individual growers sell independently of their clubs, this is a somewhat notional statistic. See text.

(4) Clubs in Chitipa were not given the choice of selling through AHL - see ACDI marketing report.

(5) 1 club made a single sale in Lilongwe but sold the bulk of its crop in Limbe.

(6) Salima and Ngabu ADDs were not included in the scheme in either of the '90-91 or '91-92 seasons. They are in 1992-93.

<u>Table A2.2</u>	<u>AHL Sales and Quotas</u>			<u>(kg)</u>
ADD	Weight Sold	Licensed Weight	"Allocated"	Target
Karonga	na	na	60,000	207,000
Mzuzu	264,123	648,890	315,000	582,000
Kasungu	325,077	537,000	999,000	720,000
Lilongwe	66,132	131,150	135,000	528,000
Liwonde	455,737	555,400	699,000	954,000
Blantyre	<u>53,592</u>	<u>86,700</u>	<u>234,000</u>	<u>510,000</u>
All	1,164,661	1,958,740	2,442,000	3,501,000

Sources: AHL sales records (Wt. Sold + Licenced Wt.) and ACDI marketing report (see note 1, Table A2.1).

Notes: "Allocated" was quota reportedly allocated to all clubs, on the basis of March crop estimates; it therefore includes clubs selling to ADMARC and through estates.

"Target" = production targeted at the beginning of the season.

<u>Table A2.3</u>	<u>AHL Sales and Quotas</u>			<u>(%)</u>
ADD	Sales (1)	Licensed (2)	Allocated (3)	Target (4)
Mzuzu	41%	206%	23%	17%
Kasungu	61%	54%	139%	21%
Lilongwe	50%	97%	26%	15%
Liwonde	83%	79%	73%	27%
Blantyre	<u>62%</u>	<u>37%</u>	<u>46%</u>	<u>15%</u>
All	59%	80%	70%	100

Source: Table A2.2

Notes: (1) Weight Sold as % of Licensed Weight (AHL sales only)

(2) AHL Licensed Weight as % of "Allocated" quota

(3) "Allocated" quota as % of Target

(4) ADD Target as % of national

<u>Table A2.4</u>	<u>Members and Members per Club</u>				<u>(n)</u>
ADD	Total	Max	Mean	Min	
Mzuzu	1,344	62	21	10	
Kasungu	1,616	132	41	6	
Lilongwe	345	55	29	13	
LW Namwera	547	38	22	9	
LW Zomba	1,241	38	22	10	
Blantyre	<u>313</u>	<u>54</u>	<u>35</u>	<u>10</u>	
All	5,406	132	26	6	

Source: MoA manuscript records and inference (see text).

<u>Table A2.5</u>	<u>Members, by Wt. Sold/Club groups</u>				<u>(n)</u>
ADD	Number of Members: Weight Sold in groups				
	>10,000	>5,000	>3,000	<3,000	kgs
Mzuzu	150	226	564	404	
Kasungu	694	533	283	106	
Lilongwe	55	207	54	29	
LW Namwera	-	98	256	193	
LW Zomba	224	743	172	102	
Blantyre	<u>81</u>	<u>69</u>	<u>67</u>	<u>96</u>	
All	1,204	1,876	1,396	930	
%	22%	35%	26%	17%	

Source: AHL sales records, club final seller's sheets, and MoA manuscript records (see note to Table A2.4).

**Table A2.6** **Weight Sold & Licensed Weight/Club** (kgs)

ADD	Weight Sold			Licenced Weight		
	Max	Mean	Min	Max	Mean	Min
Mzuzu	13,260	4,127	1,508	32,000	10,139	3,000
Kasungu	23,967	8,335	784	39,600	13,769	3,000
Lilongwe	10,336	5,511	2,782	26,700	10,929	4,500
LW Namwera	7,304	3,491	784	11,400	6,600	3,000
LW Zomba	12,226	6,464	953	18,000	6,761	3,000
Blantyre	<u>13,339</u>	<u>5,955</u>	<u>983</u>	<u>13,650</u>	<u>9,633</u>	<u>3,000</u>
All	23,967	5,645	784	39,600	9,486	3,000

Source: AHL sales records, club final seller's sheets.

**Table A2.7** **Weight Sold/ Club** (n)

ADD	Number of Clubs: Weight Sold in groups				Total
	>10,000	>5,000	>3,000	<3,000 kgs	
Mzuzu	4	9	27	24	64
Kasungu	12	15	8	4	39
Lilongwe	1	7	2	2	12
LW Namwera	-	4	10	11	25
LW Zomba	7	33	10	7	57
Blantyre	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>9</u>
All	26	70	60	50	206
%	13%	34%	29%	24%	100%

Source: AHL sales records, club final seller's sheets.

<u>Table A2.8</u>	<u>Weight Sold/ Club, by group</u>				<u>('000 kgs)</u>
ADD	Weight Sold, in production groups (kgs)				
	>10,000	>5,000	>3,000	<3,000	Total
Mzuzu	48	55	102	58	264
Kasungu	170	113	33	8	325
Lilongwe	10	42	8	6	66
LW Namwera	-	26	39	22	87
LW Zomba	77	236	42	14	368
Blantyre	<u>25</u>	<u>12</u>	<u>12</u>	<u>5</u>	<u>54</u>
All	330	485	235	114	1,165
%	28%	42%	20%	10%	100%

Source: AHL sales records, club final seller's sheets.  
Notes: Totals may vary due to rounding.

<u>Table A2.9</u>	<u>Weight Sold/ Club, by group</u>				<u>(%)</u>
ADD	% of Weight Sold in groups (kgs)				
	>10,000	>5,000	>3,000	<3,000	Total
Mzuzu	18%	21%	39%	22%	100%
Kasungu	52%	35%	10%	2%	100%
Lilongwe	16%	64%	12%	9%	100%
LW Namwera	-	30%	44%	26%	100%
LW Zomba	21%	64%	11%	4%	100%
Blantyre	<u>46%</u>	<u>23%</u>	<u>22%</u>	<u>9%</u>	<u>100%</u>
All	28%	42%	20%	10%	

Source: Table A2.8  
Notes: Totals may vary due to rounding.

**Table A2.10 Club Weight Sold as % of Licensed Weight (%)**

ADD	Max	Mean	Min
Mzuzu	139%	41%	15%
Kasungu	165%	61%	7%
Lilongwe	115%	50%	30%
LW Namwera	103%	53%	19%
LW Zomba	143%	96%	18%
Blantyre	<u>114%</u>	<u>62%</u>	<u>15%</u>
All	165%	60%	7%

Source: AHL sales records, club final seller's sheets.

**Table A2.11 Success in meeting Club Quota (n)**

ADD	Number of Clubs: Weight Sold as % of Licenced Weight				
	>115%	115-85	84-50	40-25	< 25%
Mzuzu	1	12	15	24	12
Kasungu	3	9	13	10	4
Lilongwe	-	1	5	6	-
LW Namwera	-	4	9	10	2
LW Zomba	11	32	9	4	1
Blantyre	<u>-</u>	<u>3</u>	<u>4</u>	<u>-</u>	<u>2</u>
All	15	61	55	54	21
%	7%	30%	27%	26%	10%

Source: AHL sales records, club final seller's sheets.

Notes: >115% It is known that a number of clubs which exceeded (uplifted) quota sold the excess through other clubs.

<u>Table A2.12</u>	<u>Estimated Overproduction Penalties</u>				<u>(kgs, MK)</u>
ADD	kgs	Avg.	Value	60% Penalty	
Mzuzu	712	5.73	4,080	2,448	
Kasungu	8,236	6.89	56,970	34,182	
Lilongwe	na	-	-	-	
LW Namwera	na	-	-	-	
LW Zomba	17,411	5.96	103,829	62,297	
Blantyre	na	-	-	-	
All	26,359	na	164,879	99,927	

Source: AHL sales records, club final seller's sheets.

Note: Unconfirmed estimates only - see text.

<u>Table A2.13</u>	<u>Date of First Sale (AHL Sale Numbers)</u>					<u>(n)</u>
ADD	Number of Clubs with First Sales falling in Sale Number groups.					
	< 40	40-50	51-60	61-70	71-91	
Mzuzu (27)	6	25	4	23	7	
Kasungu (40)	-	8	22	6	3	
Lilongwe (21)	4	-	7	-	1	
LW Namwera (21)	4	7	3	3	8	
LW Zomba (9)	39	2	-	12	4	
Blantyre (15)	<u>8</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	
All	61	42	36	45	23	
%	30%	20%	17%	22%	11%	

Source: AHL sales records, club final seller's sheets.

Notes: Numbers in brackets = earliest first sale per ADD. Sale Numbers in Limbe lag Lilongwe by 5, approx. For dates of last sales, see text.

**Table A2.14 Adherence to Delivery Quota (n)**

ADD	Number of Clubs exceeding estimated "Basic-50%" by number of times, on maximum consignment			
	< 10	5-10	5-2	2-1 x basic-50
Mzuzu	-	6	15	43
Kasungu	8	18	11	2
Lilongwe	4	2	5	1
LW Namwera	13	9	3	-
LW Zomba	21	28	7	1
Blantyre	<u>2</u>	<u>2</u>	<u>4</u>	<u>1</u>
All	48	65	45	48
%	23%	32%	22%	23%

Source: AHL sales records, club final seller's sheets.

Notes: Estimated basic-50 = licenced wgt/1000 x 50%

Thus, eg: 55% of clubs exceeded delivery quota by at least 5 times, for their largest single sale, while only 23% of clubs may have adhered to their delivery quotas. See text.

**Table A2.15 Maximum Number of Bales/Sale**

	Max	Min
Mzuzu	29	4
Kasungu	115	7
Lilongwe	52	10
LW Namwera	65	6
LW Zomba	81	5
Blantyre	48	10

Source: AHL sales records, club final seller's sheets.

Notes: The Min column is the minimum greatest number of bales/club/sale. Actual minimum numbers consigned are not possible to estimate from this source as all clubs show sales of 1 bale only, obviously mostly re-offers.

**Table A2.16** Mean Bale Weights (kgs, net) and Bales Sold (n)

ADD	Bale Weights (kgs)			Bales Sold (n)		
	Max	Mean	Min	Max	Mean	Min
Mzuzu	89	77	58	162	53	21
Kasungu	86	73	59	322	114	13
Lilongwe	73	60	50	183	92	41
LW Namwera	88	79	63	88	44	9
LW Zomba	89	73	55	169	89	11
Blantyre	<u>84</u>	<u>69</u>	<u>50</u>	<u>174</u>	<u>86</u>	<u>29</u>
All	89	74	50	322	77	9

Source: AHL sales records, club final seller's sheets.

Notes: These figures are for club mean bale weights.

Individual bale weights would show a far wider variation, within the permitted range of 25-100 kgs.

**Table A2.17** Gross Receipts and Receipts/Club (MK)

ADD	Total	Max	Mean	Min
Mzuzu	1,567,330	79,046	24,490	8,789
Kasungu	2,181,448	164,800	55,935	4,255
Lilongwe	413,862	65,040	34,489	14,893
LW Namwera	600,826	48,409	24,033	5,024
LW Zomba	2,234,374	80,556	39,200	3,790
Blantyre	<u>319,268</u>	<u>88,539</u>	<u>35,474</u>	<u>12,585</u>
All	7,317,108	164,800	35,520	3,790

Source: AHL sales records, club final seller's sheets.

<b>Table A2.18</b>	<b>Net Receipts (Paid to Grower) / Club (MK)</b>			
ADD	Total	Max	Mean	Min
Mzuzu	1,368,952	70,217	21,390	7,897
Kasungu	1,929,592	145,121	49,477	3,754
Lilongwe	362,244	55,456	30,187	13,011
LW Namwera	521,016	42,319	20,841	4,296
LW Zomba	1,994,569	72,231	34,992	3,392
Blantyre	<u>286,084</u>	<u>79,498</u>	<u>31,787</u>	<u>11,305</u>
All	6,462,457	145,121	31,371	3,392

Source: AHL sales records, club final seller's sheets.

<b>Table A2.19</b>	<b>Club Average Prices (MK/kg, Gross)</b>		
ADD	Max	Mean	Min
Mzuzu	7.47	5.93	4.92
Kasungu	7.43	6.71	5.43
Lilongwe	7.80	6.26	5.13
LW Namwera	8.35	6.88	6.00
LW Zomba	7.48	6.06	3.98
Blantyre	<u>6.64</u>	<u>5.96</u>	<u>4.30</u>
All	7.80	6.28	3.98

Source: AHL sales records, club final seller's sheets.

Note: These figures compare with a national average of 6.51

<u>Table A2.20</u>	<u>Club Average Prices (MK/kg, Net Paid to Grower)</u>		
ADD	Max	Mean	Min
Mzuzu	6.62	5.18	4.33
Kasungu	6.68	5.94	4.79
Lilongwe	6.71	5.48	4.56
LW Namwera	7.53	5.97	5.09
LW Zomba	6.73	5.41	3.56
Blantyre	<u>5.96</u>	<u>5.34</u>	<u>3.85</u>
All	7.53	5.55	3.56

Source: AHL sales records, club final seller's sheets.

<u>Table A2.21</u>	<u>Receipts/member (MK, Net Paid to Grower)</u>		
ADD	Max	Mean	Min
Mzuzu	2,809	1,082	340
Kasungu	4,398	1,078	221
Lilongwe	2,315	829	471
LW Namwera	1,872	952	307
LW Zomba	2,771	1,607	188
Blantyre	<u>1,943</u>	<u>1,014</u>	<u>269</u>
All	4,398	1,019	188/

Source: AHL sales records, club final seller's sheets.

Notes: For discussion of membership figures, see text.

A U C T I O N H O L D I N G S L I M I T E D .

SEASON TO DATE STATEMENT UP TO PERIOD ENDING **NOVEMBER, 1992**

LILONGWE AUCTION FLOORS

TO: CHASIKA ASSOCIATION  
CHASIKA CLUB,  
CHIFSE SECTION, BOX 46,  
MUNTHAMBA.

CCFIES:

GROUP: KASUNGU ADD CLUB ESTS. CONTPCL  
BANK: NATIONAL BANK OF MALAWI  
BRANCH: NEM/KASUNGU BRANCH.  
ACCOUNT: 131C88268

BUYER  
GROWER NUMBER 30642  
STATEMENT DATE 22OCT92  
PAGE NUMBER 1

LICENSED WEIGHT 10800  
UPLIFTED LICENSE 12420  
W/FOLDING EXEMPT

RECEIPT NO/FF/ADJ	SALE SALES NO SOLD	WEIGHT SOLD	AVG/KG	G R O S S PROCEEDS	AUCT CHARGE	LEVY	N E T T PROCEEDS	W/HOLDING TAX	OTHER DEDUCTIONS	P A I D TO GROWER
065060	58 14	720	751.60	5411.58	193.5	79.10	5139.10	270.58	180.00	4689.52
065060/01	61 0	0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
065060/02	64 5	703	910.54	2455.96	86.0	35.08	2334.81	122.00	0.00	2212.81
065060/03	67 0	0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
065060/04	70 1	47	686.00	322.42	11.0	4.87	305.82	16.12	0.00	289.70
088677	82 35	2368	691.12	16365.77	575.0	245.83	15544.30	818.29	0.00	14726.01
088677/01	85 4	295	783.79	2320.04	80.0	33.47	2206.17	116.00	0.00	2090.17
088677/02	88 1	93	400.00	372.00	13.0	6.95	351.71	18.60	0.00	333.11
088774	92 0	0	0.00	0.00	0.0	0.00	0.00	0.00	0.00	0.00
088774/01	85 1	33	700.00	581.00	20.0	8.70	552.17	29.05	0.00	523.12
095412	89 3	230	981.00	2026.30	69.0	29.25	1928.45	101.32	162.00	1665.13
096650	90 5	278	732.23	2052.30	72.0	30.17	1949.18	102.62	0.00	1846.56
096661	90 8	472	611.53	2986.43	103.0	45.24	2737.38	144.32	0.00	2593.06
096661/01	92 1	49	721.00	353.29	12.0	5.24	335.32	17.66	0.00	317.66
096661/02	94 1	78	849.00	662.22	22.0	9.33	630.12	33.11	270.00	327.01
099747	92 1	59	500.00	295.00	10.0	5.00	279.16	14.75	0.00	264.41
106600	97 3	157	794.77	1247.80	44.0	17.93	1185.57	62.39	42.01	1081.17
107307	98 1	91	620.00	564.20	19.0	9.81	535.80	28.21	0.00	507.59
11384	102 10	675	724.67	4891.53	171.0	72.34	4647.72	244.58	0.00	4403.14
11384/01	105 4	304	524.63	1594.88	56.0	26.50	1511.55	79.74	154.00	1277.81
15226	105 1	64	550.00	352.00	12.0	5.74	333.57	17.60	0.00	315.97
16754	107 1	51	502.00	256.02	9.0	4.34	242.11	12.80	54.00	175.31
120205	110 3	138	603.40	832.70	30.0	13.11	788.78	41.64	0.00	747.14
121122	111 1	25	504.00	126.00	5.0	2.13	118.52	6.30	0.00	112.22
126123	115 1	56	550.00	308.00	11.0	5.02	291.72	15.40	0.00	276.32
SEASON TOTAL	105	6637	697.26	46277.44	1635.0	693.15	43949.03	2313.82	862.01	40773.14

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**LIST OF CLUBS INTERVIEWED**

## LIST OF CLUBS INTERVIEWED

ANNEX 3

ADD	RDP	EPA	Club Name (1)	Notes
Mzuzu	Rumphi	Bolero Bolero Mhuju	Masanika Kaulupa Phwampwa	(2)
Kasungu	Kasungu	Chamama Chamama Kasungu Chipala Kasungu Chipala Lisasadzi ?	Mbwandangu Mbongozi Khuza Kadifua Bua Zikomo	(3) (3)
Lilongwe	Ntcheu	Kandeu Kandeu Kandeu Nsipe Nsipe	Mtanda I Machunyu Mtanda II Nkhame Bula	(4) & (5) (5)
Liwonde	Namwera	Ntiya Katuli Masuku Masuku Masuku	Lijelo Litunguwe Mdeka Chilolombwe Chileka Women's	(5) (5)
Liwonde	Zomba	Dzaone Dzaone	Malaina I Tiyese	
Blantyre	BT/Shire BT/Shire Mulanje	Mombezi Thumbwe Mulanje West	Makuwa Chikangulu Khwala	
			23 clubs	

## Notes:

1. Most are called, simply, clubs; in Kasungu, many have more elaborate titles, such as 'Burley Association Estate', 'Burley Farmers Club' or 'Smallholder Farmers Club'.
2. Interview records show "Kaulupa". This is not a registered grower's name. The facts seem to fit Kalumbala Club, sales data for which has been used in Table 1, Section 2.
3. Full club interviews not carried out.
4. Questionnaire lost.
5. New registration for 1992--93, data not applicable to Section 2.

**ANALYSIS OF CLUB INTERVIEWS AND QUESTIONNAIRES**

## REVIEW OF ADD/RDP/EPA QUESTIONNAIRE

1. Do the farmers in your area understand the terms of sale of their tobacco and know how much money they should be paid?

Do they know?	Yes	No	No Answer	% Yes
-ADD/RDA Level	4	0	0	100%
-EPA Level	8	1	0	89%
Total	12	1	0	92%

Comments: Several respondents qualified their answer that although smallholders understand the general concept of deductions from sales by AHL, few have a detailed knowledge of the purposes of such deductions. Others commented on a lack of understanding of delivery quota.

2. Have you ever received complaints from members that they were not treated fairly by the club? How many? How resolved?

Ever received complaint?	Yes	No	No Answer	% Yes
-ADD/RDA Level	2	2	0	50%
-EPA Level	6	3	0	67%
Total	8	5	0	62%

How many?	Total	Average
-ADD/RDA Level	3	0.75
-EPA Level	6	0.86
Total	9	0.82

Note: Two respondents unable to quantify number of complaints received.

How resolved?

In most cases, complaints were found to be groundless, usually based on a misconception. These cases were resolved to everyone's satisfaction when the facts were explained. In one case of financial mismanagement, officers of the club were made to reimburse club members. In another case, where a member over delivered his quota, the club was advised to expell the member.

3. Do you think the clubs in your area are honestly managed? Are there any exceptions?

Honestly managed?	No Except'n	Some Except'n	NA	% Yes
-ADD/RDA Level	2	2	0	50%
-EPA Level	8	1	0	89%
Total	10	3	0	77%

Note: All respondents, including those noting exceptions felt the clubs in their area were generally honestly managed.

4. How would you describe the management capability of most clubs in your area?

	Unsat	Fair	Good	Very Good
Management capability?	1	6	6	0

5. What one thing would best help to improve the management of clubs?

Responses	Frequency
Training on club management	5
Training on record keeping	5
Training on tobacco technology	1
Closer MOA supervision	1

6. How much of your time do you estimate you spend working with burley clubs?

Average Percent, all respondents	50.6%				
Frequency	<20%	20-39%	40-59%	60-79%	80%>
	1	3	4	3	2

7. How good is the transportation situation in your area?

Transportation was considered a problem in almost every area. Most frequently, transportation was hired from estate owners in the area. This causes problems at peak times. Access to transportation is not well organized.

8. Are fertilizers and other supplies available on time?

	Usually	Often Delayed
On time?	9	4

9. How well does the credit system function? Are there any problems?

	No Problems	Problems
Any problems?	8	5

10. Do you think clubs could benefit from joining together in cooperatives or associations?

Could benefit?	Yes 7	No 6
How could they benefit?	Frequency	
Organizing transportation		6
Better access to credit		2
Better representation		1
Better marketing		1
Better management		1
Greater financial strength		1
Better use of training		1
Idea sharing		2
Better access to inputs		1

11. Have you completed registration for 1992/93? [EPAs only]

Completed?	Yes 7	No 0	NA 2
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12. [DELETED]

13. Summary statistics for ADDs:

	Kasungu	Mzuzu	Biantyre
Number of clubs	234	105	153
Number of members	4,729	2,732	5,453
Members per club	20	26	36
Quota (tons)	1,414	710	1,161
Quota per member (kg)	299	260	213
% Women reported	16%	na	6%
% Holdings < 1.5 ha	na	na	90%

14. Have you distributed individual registration forms? [EPAs only]

	Yes 2	No 5	NA 2
--	----------	---------	---------

15. How much does it cost to hire a good bookkeeper in your area?

Average (MK/mo.), all respondents

215

Frequency	<150 3	150--249 2	250--349 3	350--449 1	450> 0
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## REVIEW OF BURLEY CLUB OFFICER QUESTIONNAIRE

## 1. What is your educational level?

	Responses	< Std2	Std2-3	Std4-6	> Std6
Chairman	14	2	2	8	2
Secretary	14	1	1	5	7
Treasurer	13	3	4	5	1
Vice Chair	1	1			
Vice Secretary	6	1		2	3
Vice Treasurer	1	1			

## 2. What previous experience have you had with clubs or businesses?

CLUBS?	Responses	Experienced	Percent
Chairman	17	10	59%
Secretary	18	7	39%
Treasurer	16	8	50%

BUSINESS?	Responses	Experienced	Percent
Chairman	17	8	47%
Secretary	17	7	41%
Treasurer	16	7	44%

## 3. What previous experience have you had with tobacco growing?

EXPERIENCED GROWER?	Responses	Experienced	Percent
Chairman	17	10	59%
Secretary	19	8	42%
Treasurer	16	10	63%

## 4. What do you think are the are the three most important things the club must do for its farmers to get the best profi

	Mentioned	Score
Set good example/advise	11	25
Get fertilizer on time	5	13
Organize transport	4	8
Manage credit recovery	1	2
Get more quota for members	2	3
Build sheds for members	1	3
Manage delivery quota	1	2
Manage finances/records	2	3
Regular meetings	2	4
Diverification	1	3
Improve grading expertise	2	4
Buy oxen for plowing	2	3
Ensure member cooperation	1	3
Organize training	1	1
Marketing	1	1
Irrigation	2	5
Build a club baling shed	1	0
Cash loans for labor	1	0
Joint field for club fund	1	3

5. Did your club sell all its crop through Auctions?

	Responses	Yes	Percent
Sell all?	18	8	44%

6. On what date did the club make its first shipment last year?

	Earliest	Latest	Average
First shipping date?	28-Apr	11-Jul	30-May

7. Do members ever mix their tobacco in the same bale? How often?

	Never	Rarely	Sometimes	Often	Always
Do members share bales?	4	6	2	0	2
Of clubs reporting:	29%	43%	14%	0%	14%

8. What does the club do with small grades?

	Responses	Yes	Percent
Share bale?	13	10	77%

9. Can you show us the books and records of the club? If not, why not?

	Responses	Yes	Percent
Show books?	17	11	65%
Why not?			
Secretary not present	3		
Don't know how	1		
Not prepared, didn't know	1		
Nothing to record	1		

10. How did you transport tobacco to market?

	Responses	Yes	Percent
Direct to floors?	15	9	60%
To AHL satellite?	15	5	33%
Local transporter?	15	13	87%
Outside transporter?	15	5	33%
Other: rail	15	3	20%

11. How did you pay for transportation? As a club or as individuals?

	Responses	Yes	Percent
As a club?	11	2	18%

12. Does the club have a bank account?

Have?	13	11	85%
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## 13. Did the club receive supplies on credit? From where?

	Responses	Yes	Percent
Did receive?	17	17	100%
Other than SACA?	17	0	0%

## 14. How does the club pay for operating costs not covered by credit?

Membership fees	11
Assessments	4

## 15. How much money does the club charge members to join the club?

	Responses	Minimum	Maximum	Average
Joining fee	19	0	30	9.88
Annual dues	9	0	30	11.11

Note: Almost all clubs treat the joining fee as first annual dues.

## 16. Do you have access to a calculator?

	Responses	Yes	Percent
Have access?	19	13	68%

## 17. How many members are in your club? Women?

	Responses	Minimum	Maximum	Average
Number of members	19	8	70	37.00

	Responses	Minimum	Maximum	Average
Number of women	18	0	37	7.39

	Responses	Minimum	Maximum	Average
Percent of women	18	0%	100%	20%

## 18. Where is the nearest neighboring club? How far away?

	Responses	Minimum	Maximum	Average
How far (km)?	18	1	13	2.89

## 19. Do you think there would be any advantages to combining with other clubs? If yes, what?

	Responses	Yes	Percent
Any advantage?	19	3	16%

What advantages?	
Organizing transport	2
Sharing knowledge	1
Sharing equipment	1

Why not?	
Can't get along	8
Too far away	2
No need	1
Numbers unmanageable	3

## 20. What help do you need from Agriculture (MOA) to make your club work?

Baling press	1
Transport	7
Early fertilizer delivery	4
Agronomic training	3
Training on grading	1
Training, club management	2
Pesticides	1
Quota	3
Dairy cattle	1
Better prices	1
Poly sheets	1
Oxen and plows	2
Irrigation	1
Credit in cash for labor	2
Seed	1

## 21. What is the most important training need for club officers?

Tobacco agronomy	5
Nursary management	4
Grading	9
Leadership	5
Bookkeeping	8

## 22. What training is needed for members?

Field management/agronomy	5
Nursary management	2
Grading	16

## 23. What is your quota for 1992/93?

	Responses	Minimum	Maximum	Average
Club	10	4,200	22,500	10,860
Individual (reported)	10	275	450	313
Calculated	10	131	750	358
Difference	10	(169)	450	46
Didn't know	10			

	Responses	Yes	Percent
Individual quotas equal?	14	14	100%
Didn't know	6		

## 24. Have you received your registration slips for 1992/93?

	Responses	Yes	Percent
Have received?	17	4	24%

## REVIEW OF QUESTIONNAIRE FOR MEMBERS OF CLUBS

## 1. Do you have any questions about how the tobacco auction works?

	Responses
Why are early season prices better?	6
What are the deductions for?	4
How are the deductions calculated?	1
How is the quota determined?	1
How do we get the Hessian back?	2
Why does price vary for same grade?	1
Why do bale weights vary?	1
Do we get a second payment from AHL?	2
How can we avoid transport congestion?	1
What happens to rehandles?	1
Why over production penalty?	1
Why can't we sell as individuals?	1
How can individuals avoid the penalty?	1
Can clubs sell during free period?	1
What is need for delivery quota?	2
How can we sell to auction floors?	1
How do bales get lost?	1
Why transport deduction inconsistent?	1
Who accompanies crop to auction?	1
Can process of allocating deductions be simplified?	1

## 2. When you give something to the club do they give you a signed receipt?

	Responses	Yes	Percent
Give receipt?	16	5	31%

## 3. When you receive your tobacco money do you sign for it?

	Responses	Yes	Percent
Sign for money?	16	8	50%

## 4. Did the field assistant help your club divide up the money?

	Responses	Yes	Percent
Help?	15	12	80%

## 5. Could you manage this yourselves next time?

	Responses	Yes	Percent
Could manage?	17	7	41%

## 6. Did everyone get all their farm supplies in good time?

	Responses	Yes	Percent
Did get?	19	9	47%

## 7. Was there any problem with credit?

	Responses	Yes	Percent
Problems?	19	11	58%

**ATTENDANCE LIST FOR PIC MEETING**

**Attendance at the A.S.A.P Project Implementation Committee Meeting  
to Review the Organizational and Training Needs Assessment for  
Smallholder Burley Tobacco Clubs in Malawi**

**Held on December 18, 1992**

Mr. F.A. Mhango (Chairman)	- Controller of Agricultural Services, MoA
Mr. I. Kumwenda	- MoA
Mr. Mazonde	- MoA
Mr. H. Kabambe	- ADMARC
Mr. Kwengwere	- ADMARC
Dr. G.A. Thangathyanga	- TAMA
Mr. Kaunda	- Liwonde ADD
Mr. L. Yona	- Liwonde ADD
Mr. B. Munyenembe	- Ngabu ADD
Mr. C. Kanyenda	- Mzuzu ADD
Ms. J.T. Hale	- USAID/Malawi
Mr. S. MacDonald	- AHL
Mr. K.A. Rockeman	- USAID/Malawi
Mr. S. Muyaya	- Lilongwe ADD
Mr. D. Crane	- ACDI
Mr. G. Olney	- ACDI
Mr. M. Mphepo	- Blantyre ADD
Mr. Chitonya	- Blantyre ADD
Mr. S. Scott	- USAID/Malawi
Mr. S. Shumba	- USAID/Malawi
Mr. M.J.K. Mughogho	- MoA
Mr. H.S. Chanza	- Kasungu ADD
Mr. F. Chokotho	- Kasungu ADD
Ms. A. Mugomezulu	- Lilongwe ADD
Mr. Chilongo	- SACA
Mr. E. Matola	- EP&D
Mr. P.C. Chirwa	- MoA
Mr. Tsamwa	- MoTIT
Mr. Matupa	- MoTIT
Mr. F.J. Chakhowma	- Salima ADD
Mr. C. Khonje	- Karonga ADD
Mr. K. Charura	- MoA
Mr. J. Sprowson	- Press Farming
Mr. Chiputu	- MoA

**CO-OPERATIVES SOCIETIES ACT**

LAWS OF MALAWI

CO-OPERATIVE SOCIETIES

CHAPTER 47:02

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## CHAPTER 47:02

## CO-OPERATIVE SOCIETIES

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CHAPTER 47:02

CO-OPERATIVE SOCIETIES

An Act to provide for the Formation and to Regulate the Operations of Co-operative Societies

20 of 1946  
9 of 1956  
30 of 1960  
20 of 1962  
G.N.22/1963  
219/1964(N)  
166/1967

[14TH DECEMBER, 1946]

PART I

PRELIMINARY

- 1. This Act may be cited as the Co-operative Societies Act. Short title
- 2. In this Act unless the context otherwise requires— Interpretation
  - "bonus" means a share of the profits of a registered society divided among its members in proportion to the volume of business done with the society by them from which the profits of the society were derived;
  - "by-laws" means the registered by-laws made by a society in the exercise of any power conferred by this Act, and includes a registered amendment of the by-laws;
  - "committee" means the governing body of a registered society to whom the management of its affairs is entrusted;
  - "dividend" means a share of the profits of a registered society divided among its members in proportion to the share capital held by them;
  - "member" includes a person or registered society joining in the application for the registration of a society, and a person or

registered society admitted to membership after registration in accordance with the by-laws;

"officer" includes a chairman, secretary, treasurer, member of committee, or other person empowered under the Rules or by-laws to give directions in regard to the business of a registered society;

"registered society" means a co-operative society registered under this Act;

"Registrar" means the Registrar of Co-operative Societies appointed under section 3 and includes any person when exercising such powers of the Registrar as may have been conferred upon him under that section;

"Rules" means Rules made under this Act.

PART II

REGISTRATION

Appointment of Registrar and assistant registrars

3. The Minister may appoint a person to be Registrar of Co-operative Societies for Malawi and may appoint persons to assist such Registrar, and may, by general or special order published in the *Gazette*, confer on any such persons all or any of the powers of a Registrar under this Act.

Societies which may be registered

4. Subject to the provisions hereinafter contained, a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles, or a society established with the object of facilitating the operations of such a society, may be registered under this Act with or without limited liability as the Registrar may decide:

Provided that the liability of a society which includes at least one registered society among its members shall be limited.

Conditions of registration

5.—(1) No society, other than a society of which a member is a registered society, shall be registered under this Act, which does not consist of at least ten persons each of whom is qualified under section 21 for membership under this Act.

ONLY CONTRIBUTED CO. WILL BE USED.

(2) The word "co-operative" or its vernacular equivalent shall form part of the name of every society registered under this Act.

(3) The word "limited" or its vernacular equivalent shall be the last word in the name of every society with limited liability registered under this Act.

(4) When for the purposes of this section any question arises as to age, residence, or occupation of land constituting the quali-

fication of any person, that question shall be decided by the Registrar whose decision shall be final.

6.—(1) For the purposes of registration an application shall be made to the Registrar. Application for registration

(2) The application shall be signed—

(a) in the case of a society of which no member is a registered society, by at least ten persons qualified in accordance with the requirements of section 5 (1); and

(b) in the case of a society of which a member is a registered society, by a duly authorized person on behalf of every such registered society, and, where all the members of the society are not registered societies, by ten other members, or, when there are less than ten other members, by all of them.

(3) The application shall be accompanied by copies of the proposed by-laws of the society, and the persons by whom or on whose behalf such application is made shall furnish such information in regard to the society as the Registrar may require.

7.—(1) If the Registrar is satisfied that a society has complied with this Act and the Rules and that its proposed by-laws are not contrary to this Act or to the Rules he may, if he thinks fit, register the society and its by-laws. An appeal shall lie to the Minister against the refusal of the Registrar to register any Society within one month from the date of such refusal. Registration

(2) On registration the society shall pay such fee as may be required by the Rules.

8. The registration of a society shall render it a body corporate by the name under which it is registered, with perpetual succession and with power to hold property, to enter into contracts, to institute and defend suits and other legal proceedings, and to do all things necessary for the purpose of its constitution. Societies to be bodies corporate

9. A certificate of registration signed by the Registrar shall be conclusive evidence that the society therein mentioned is duly registered, unless it is proved that the registration of the society has been cancelled. Evidence of registration

### PART III

#### DUTIES AND PRIVILEGES OF SOCIETIES

10.—(1) Any registered society may, subject to this Act and the Rules, amend its by-laws, including the by-law which declares the name of the society. Amendment of the by-laws of a registered society

(2) No amendment of the by-law of a registered society shall

be valid until that amendment has been registered under this Act, for which purpose copies of the amendment shall be forwarded to the Registrar.

(3) If the Registrar is satisfied that any amendment of the by-laws is not contrary to this Act or to the Rules he may if he thinks fit, register the amendment. An appeal shall lie to the Minister against the refusal of the Registrar to register any amendment of any by-law.

(4) An amendment which changes the name of a society shall not affect any right or obligation of the society or of any of its members or past members, and any legal proceedings pending may be continued by or against the society under its new name.

(5) When the Registrar registers an amendment of the by-laws of a registered society, he shall issue to the society a copy of the amendment certified by him, which shall be conclusive evidence of the fact that the amendment has been duly registered.

(6) In this section "amendment" includes the making of a new by-law and the variation or rescission of a by-law.

Address of  
society

11. Every registered society shall have an address, registered in accordance with the Rules, to which all notices and communications may be sent, and shall send to the Registrar notice of every change of that address.

Copy of Act,  
Rules, by-  
laws, etc., to  
be open to  
inspection

12. Every registered society shall keep a copy of this Act and of the Rules and of its by-laws and a list of its members open to inspection, free of charge, at all reasonable times at the registered address, of the society.

Disposal of  
produce to  
or through a  
registered  
society

13.—(1) A registered society which has as one of its objects the disposal of any article produced or obtained by the work or industry of its members whether the produce of agriculture, animal husbandry, forestry, fisheries, handicrafts or otherwise may provide in its by-laws or may otherwise contract with its members—

(a) that every such member who produces any such article shall dispose of the whole or any specified amount, proportion or description thereof to or through the society; and

(b) that any member who is proved or adjudged, in such manner as may be prescribed by the Rules to be guilty of a breach of the by-laws or contract shall pay to the society as liquidated damages a sum ascertained or assessed in such manner as may be prescribed by the aforesaid Rules.

(2) No contract entered into under the provisions of this section shall be contested in any court on the ground only that it constitutes a contract in restraint of trade.

14.—(1) Subject to any prior claim of the Government on the property of the debtor and to the lien or claim of a landlord in respect of rent or any money recoverable as rent and in the case of immovable property to any prior registered charge thereon—

Creation of charges in favour of registered societies

(a) any debt or outstanding demand payable to a registered society by any member or past member shall be a first charge on all crops or other agricultural produce, felled timber or other forest produce, marine produce, fish (freshwater and salt-water), livestock, fodder, agricultural, industrial and fishing implements, plant, machinery, boats, tackle and nets, raw materials, stock in trade and generally all produce of labour and things used in connexion with production raised, purchased or produced in whole or in part from any loan whether in money or in goods given him by the society:

Provided that nothing herein contained shall affect the claim of any *bona fide* purchaser or transferee without notice;

(b) any outstanding demands or dues payable to a registered housing society by any member or past member in respect of rent, shares, loans or purchase money or any other rights or amounts payable to such society shall be a first charge upon his interest in the immovable property of the society.

15. A registered society shall have a charge upon the shares or interests in the capital and on the deposits of a member or past member or deceased member and upon any dividend, bonus, or profits payable to a member or past member or to the estate of a deceased member in respect of any debt due to the society from such member or past member or estate, and may set off any sum credited or payable to a member or past member or estate of a deceased member in or towards payment of any such debt.

Charge and set-off in respect of shares or interests of members

16. Subject to section 15, the share or interest of a member in the capital of a registered society shall not be liable to attachment or sale under any decree or order of a court in respect of any debt or liability incurred by such member, and neither his assignee in insolvency nor a receiver duly appointed shall be entitled to, or have any claim on, such share or interest.

Share or interest not liable to attachment or sale

17.—(1) On the death of a member, a registered society may transfer the share or interest of the deceased member to the person nominated in accordance with the Rules made in this behalf, or if there is no person so nominated, to such persons as may appear to the Committee to be the heir or legal representative of the deceased member, or may pay to such nominee, heir or legal representative, as the case may be, a sum representing the value of such member's share or interest, as ascertained in accordance with the Rules or by-laws:

Transfer of interest on death of member

Provided that—

(a) in the case of a society with unlimited liability such nominee, heir or legal representative, as the case may be, may require payment by the society of the value of the share or interest of the deceased member ascertained as aforesaid;

(b) in the case of a society with limited liability, the society may transfer the share or interest of the deceased member to such nominee, heir or legal representative, as the case may be, (being qualified in accordance with the Rules and by-laws for membership of the society) or on his application within six months of the death of the deceased member to any person specified in the application who is so qualified.

(2) A registered society shall pay all other moneys due to the deceased member from the society to such nominee, heir or legal representative, as the case may be.

(3) All transfers and payments made by a registered society in accordance with this section shall be valid and effectual against any demand made upon the society by any other person.

Deposits by  
or on behalf  
of minors

18.—(1) A registered society may receive deposits from or for the benefit of minors and it shall be lawful for a registered society to pay such minors the interest which may become due on such deposits. Any deposits made by a minor may, together with the interest accrued thereon, be paid to that minor; and any deposit made on behalf of a minor may, together with the interest accrued thereon, be paid to the guardian of that minor for the use of the minor.

(2) The receipt of any minor or guardian for money paid to him under this section shall be a sufficient discharge of the liability of the society in respect of that money.

Register of  
members

19. Any register or list of members kept by any registered society shall be *prima facie* evidence of any of the following particulars entered therein—

(a) the date at which the name of any person was entered in such register or list as a member;

(b) the date at which any such person ceased to be a member.

Proof of  
entries in  
books of  
society

20.—(1) A copy of any entry in a book of a registered society regularly kept in the course of business shall, if certified in such manner as may be prescribed by the Rules, be received in any legal proceeding, civil or criminal, as *prima facie* evidence of the existence of such entry and shall be admitted as evidence of the

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matters, transactions and accounts therein recorded in every case where, and to the same extent as, the original entry itself is admissible.

(2) No officer of any such society shall, in any legal proceedings to which the society is not a party, be compelled to produce any of the society's books, the contents of which can be proved under subsection (1) or to appear as a witness to prove any matters, transactions or accounts therein recorded, unless the court for special reasons so directs.

#### PART IV

##### RIGHTS AND LIABILITIES OF MEMBERS

**21.** In order to be qualified for membership of a co-operative society a person, other than a registered society, must (a) have attained the age of 18 years; (b) be resident within or in occupation of land within the society's area of operations as described by the by-laws. Qualification for membership

**22.** No member of a registered society shall exercise the rights of a member unless or until he has made such payment to the society in respect of membership or acquired such interest in the society, as may be prescribed by the Rules or by-laws. Members not to exercise rights till due payment made

**23.** Except with the sanction of the Registrar, no person shall be a member of more than one registered society whose primary object is to grant loans to its members. Restriction of membership in society

**24.** No member of any registered society shall have more than one vote in the conduct of the affairs of the society: Votes of members

Provided that—

(a) in the case of an equality of votes the Chairman shall have a casting vote;

(b) in the case of a society of which a registered society is a member or of which there are branches, the member society or the branch, as the case may be, shall have such voting powers as are provided for in the by-laws of the first mentioned society.

**25.** The minority or non-age of any person duly admitted as a member of any registered society shall not debar that person from executing any instrument or giving any acquittance necessary to be executed or given under this Act or the Rules made thereunder, and shall not be a ground for invalidating or avoiding any contract entered into by any such person with the society; and any such contract entered into by any such person with the Contracts with society of members who are minors

society, whether as principal or as surety, shall be enforceable at law or against such person notwithstanding his minority or non-age.

No individual to hold more than one-fifth of share capital of any society

**26.** No member, other than a registered society, shall hold more than one-fifth of the share capital of any co-operative society.

Restrictions on transfer of share or interest

**27.—(1)** The transfer or charge of the share or interest of a member or past member or deceased member in the capital of a registered society shall be subject to such conditions as to maximum holding as may be prescribed by this Act or by the Rules.

(2) In the case of a society registered with unlimited liability, a member shall not transfer any share held by him or his interest in the capital of the society or any part thereof, unless—

(a) he has held such share or interest for not less than one year; and

(b) the transfer or charge is made to the society, or to a member of the society, or to a person whose application for membership has been accepted by the Committee.

Liability of past member and estate of deceased member for debts of society

**28.—(1)** The liability of a past member for the debts of a registered society as they existed on the date on which he ceased to be a member shall not continue for a period of more than two years reckoned from that date.

(2) The estate of a deceased member shall not be liable for the debts of the society as they existed on the date of his decease for a period of more than two years reckoned from the date of his decease.

## PART V

### PROPERTY AND FUNDS OF REGISTERED SOCIETIES

Loans made by a registered society

**29.—(1)** A registered society shall not, except as provided in section 32, make any loan to any person other than a member:

Provided that, with the consent of the Registrar, a registered society may make loans to another registered society.

(2) Except with the permission of the Registrar, a registered society shall not lend money on the security of any movable property other than produce or goods in which the society is authorized to deal.

(3) The Minister may, by general or special order, prohibit or restrict the lending of money on mortgage of any description of immovable property by any registered society.

30. A registered society shall receive deposits and loans from persons who are not members only to such extent and under such conditions as may be prescribed by the Rules or by-laws.

Deposits and loans received by a registered society

31. Save as provided in sections 29 and 30, the transactions of a registered society with persons other than members shall be subject to such prohibitions and restrictions as may be prescribed by the Rules.

Restrictions on other transactions with non-members

32. A registered society may invest or deposit its funds—

Investment of funds

(a) in the Post Office Savings Bank, or with any commercial bank or building society registered in Malawi;

(b) in any Malawi Government Treasury Bills, or in any securities issued by the Government of Malawi or for which the Government of Malawi is responsible and due for payment or maturing within the next five ensuing years, or in any other securities which have been approved for the purpose by the Minister for the time being responsible for Finance;

(c) with any other registered society approved for this purpose by the Registrar; or

(d) in any other mode approved by the Registrar.

33.—(1) At least one-fourth of the net profits of every registered society, as ascertained by the audit prescribed by section 34, shall be carried to a fund to be called the reserve fund, which shall be employed as prescribed by the Rules. The remainder of such profits and any profits of past years available for distribution may be divided among the members by way of dividend or bonus, or allocated to any funds, constituted by the society, to such extent or under such conditions as may be prescribed by the Rules or by-laws:

Disposal of profits

Provided that in the case of a society with unlimited liability, no distribution of profits shall be made without the general or special order of the Minister.

(2) Any registered society may, with the sanction of the Registrar, after one-fourth of the net profits in any year has been carried to a reserve fund, contribute an amount not exceeding ten *per centum* of the remaining net profits to any charitable purpose or to a common-good fund.

## PART VI

## AUDIT, INSPECTION AND INQUIRY

Audit

34.—(1) The Registrar shall audit or cause to be audited by some person authorized by him by general or special order in writing the accounts of every registered society once at least in every year.

(2) The audit under subsection (1) shall include an examination of overdue debts, if any, and a valuation of the assets and liabilities of the registered society.

(3) The Registrar and every other person appointed to audit the accounts of a society shall have power when necessary—

(a) to summon at the time of his audit any officer, agent, servant or member of the society who he has reason to believe can give material information in regard to any transactions of the society or the management of its affairs; or

(b) to require the production of any book or document relating to the affairs of, or any cash or securities belonging to, the society by the officer, agent, servant or member in possession of such book, document, cash or securities.

Power of Registrar to inspect societies' books, etc.

35. The Registrar, or any person authorized by general or special order in writing by the Registrar, shall at all times have access to all the books, accounts, papers and securities of a registered society, and shall be entitled to inspect the cash in hand; and every officer of the society shall furnish such information in regard to the transactions and working of the society as the person making such inspection may require.

Inquiry and inspection

36.—(1) The Registrar may of his own motion, and shall on the application of a majority of the committee, or of not less than one-third of the persons who are members of a registered society or of any registered society which is a member of the society, hold an inquiry or direct some person authorized by him by order in writing in this behalf to hold an inquiry into the constitution, working, and financial condition of a registered society; and all officers and members of the society shall furnish such information in regard to the affairs of the society and produce the cash in hand and such books, accounts, papers and securities of the society as the Registrar or the person authorized by him may require.

(2) The Registrar shall, on the application of a creditor of the registered society, inspect or direct some person authorized by him in writing in this behalf to inspect the books of the society if the applicant—

(a) proves that an ascertained sum of money is then due to

him and that he has demanded payment thereof and has not received satisfaction within a reasonable time; and

(b) deposits with the Registrar such sum as security for the costs of the proposed inspection as the Registrar may require.

(3) The Registrar shall communicate the results of any such inspection to the creditor and to the society into whose affairs inquiry has been made.

(4) Where an inquiry is held under subsection (1) or an inspection is made under subsection (2), the Registrar may apportion the costs or such part of the costs, as he may think right, between the registered society, the members demanding an inquiry, the officers or former officers of the society, and the creditor, if any, on whose application the inquiry was made.

(5) Any sum awarded by way of costs against any society or person under this section may be recovered, on application to a subordinate court having jurisdiction in the place where the registered office of the society is situated or the person resides or carries on business for the time being, in like manner as a fine imposed by the court.

## PART VII

### DISSOLUTION

**37.—**(1) If the Registrar, after holding an inquiry or making an inspection under section 36 or on receipt of an application made by three-fourths of the persons who are members of a registered society or of any registered society which is a member of the society, is of opinion that the society ought to be dissolved, he may make an order for the cancellation of the registration of the society. Dissolution

(2) Any member of a registered society may, within two months from the date of an order under subsection (1), appeal from such order to the Minister.

(3) Where no appeal is presented within two months from the making of an order cancelling the registration of a society, the order shall take effect on the expiry of that period. Where an appeal is presented within two months, the order shall not take effect until it is confirmed.

(4) Where the Registrar makes an order for the cancellation of the registration of a society under subsection (1) he may make such further order as he may think fit for the custody of the books and documents and the protection of the assets of the society until the order cancelling registration takes effect.

(5) No registered society shall be wound up save by an order of the Registrar.

Cancellation of registration of society due to lack of membership

38. The Registrar may, by order in writing, cancel the registration of any registered society other than a society which includes among its members one or more registered societies, if at any time it is proved to his satisfaction that the number of members has been reduced to less than ten. Every such order shall take effect from the date thereof.

Effect of cancellation of registration

39. Where the registration of a society is cancelled by an order under section 37 or under section 38 the society shall cease to exist as a corporate body from the date on which the order takes effect, hereinafter referred to as the date of dissolution:

Provided that any privileges conferred on the society by or under sections 14, 15, 16 and 17 shall be deemed to be vested in any liquidator appointed for that society by the Registrar.

Liquidation after cancellation of registration of society

40. Where the registration of a society is cancelled under section 37 or section 38 the Registrar may appoint one or more persons to be, subject to his direction and control, the liquidator or the liquidators of the society.

Liquidator's powers

41.—(1) A liquidator appointed under section 40 shall, subject to the guidance and control of the Registrar and to any limitations imposed by the Registrar by order under section 42, have power to—

(a) determine from time to time the contribution to be made by members and past members or by the estates of deceased members of the society to its assets;

(b) appoint a day by notice before which creditors whose claims are not already recorded in the books of the society shall state their claims for admission or be excluded from any distribution made before they have proved them;

(c) decide any question of priority which arises between creditors;

(d) refer disputes to arbitration and institute and defend suits and other legal proceedings on behalf of the society by his name or office;

(e) decide by what persons and in what proportions the costs of liquidation are to be borne;

(f) give such directions in regard to the collection and distribution of assets as may be necessary in the course of winding up the society;

(g) compromise any claim by or against the society provided the sanction of the Registrar has first been obtained;

(h) call such general meetings of members as may be necessary for the proper conduct of the liquidation;

(i) take possession of the books, documents and assets of the society;

(j) sell the property of the society;

(k) carry on the business of the society so far as may be necessary for winding it up beneficially;

Provided that nothing herein contained shall entitle the liquidator of a credit society to issue any loan; and

(l) arrange for the distribution of the assets of the society in a convenient manner when a scheme of distribution has been approved by the Registrar.

(2) Subject to such Rules as may be made in this behalf, any liquidator appointed under this Act shall in so far as such powers are necessary for carrying out the purposes of this section, have power to summon and enforce the attendance of parties and witnesses and to compel the production of documents by the same means and (so far as may be) in the manner as is provided in the case of a subordinate court.

**42.** A liquidator shall exercise his powers subject to the control and revision of the Registrar, who may—

Power of Registrar to control liquidation

(a) rescind or vary any order made by a liquidator and make whatever new order is required;

(b) remove a liquidator from office;

(c) call for all books, documents and assets of the society;

(d) by order in writing limit the powers of a liquidator under section 41;

(e) require accounts to be rendered to him by the liquidator;

(f) procure the auditing of the liquidator's accounts and authorize the distribution of the assets of the society;

(g) make an order for the remuneration of the liquidator; or

(h) refer any subject of dispute between a liquidator and any third party to arbitration if that party shall have consented in writing to be bound by the decision of the arbitrator.

**43.—**(1) The decision of an arbitrator on any matter referred to him under section 42 shall be binding upon the parties, and shall be enforceable in like manner as an order made by the Registrar under that section.

Enforcement of order

(2) An order made by a liquidator or by the Registrar under section 41 or section 42 shall be enforced by any civil court having jurisdiction over the place where the registered office of the society is situated in like manner as a decree of that court.

Limitation  
of the jurisdic-  
tion of  
the civil  
court

44. Save in so far as is hereinbefore expressly provided, civil court shall have any jurisdiction in respect of any matter concerned with the dissolution of a registered society under the Act.

Closure of  
liquidation

45.—(1) In the liquidation of a society whose registration has been cancelled, the funds, including the reserve fund, shall be applied first to the costs of liquidation, then to the discharge of the liabilities of the society, then to the payment of the share capital and then, provided the by-laws of the society permit, to the payment of a dividend at a rate not exceeding ten per centum per annum for any period for which no disposal of profits was made.

(2) When the liquidation of a society has been closed and any creditor of that society has not claimed or received what is due to him under the scheme of distribution, notice of the closing of the liquidation shall be published in the *Gazette*; and all claims against the funds of the society liquidated shall be proscribed when two years have elapsed from the date of the publication of the *Gazette* notice.

(3) Any surplus remaining after the application of the funds to the purposes specified in subsection (1) and the payment of any claims for which an action is instituted under subsection (2) shall be available for use by the Registrar for any co-operative purpose at his discretion.

## PART VIII

### SURCHARGE AND ATTACHMENT

Power of  
Registrar to  
surcharge  
officers, etc.,  
of a regis-  
tered society

46.—(1) Where, in the course of the winding up of a registered society it appears that any person who has taken part in the organization or management of such society or any past or present officer of the society has misapplied or retained or become liable or accountable for any money or property of such society or has been guilty of misfeasance or breach of trust in relation to such society, the Registrar may, on the application of the liquidator or of any creditor or contributory, examine into the conduct of such person and make an order requiring him to repay or restore the money or property or any part thereof with interest at such rate as the Registrar thinks just or to contribute such sum to the assets of such society by way of compensation in regard to the misapplication, retainer, dishonesty or breach of trust as the Registrar thinks just.

(2) This section shall apply notwithstanding that the act is one for which the offender may be criminally responsible.

47. Any person aggrieved by any order of the Registrar made under section 46 may appeal to the Minister within twenty-one days from the date of such order and the decision of the Minister shall be final and conclusive. Appeal to Minister

## PART IX

## DISPUTES

48.—(1) If any dispute touching the business of a registered society arises— Settlement of disputes

(a) among members, past members and persons claiming through members, past members and deceased members; or

(b) between a member, past member, or a person claiming through a member, past member or deceased member, and the society, its Committee, or any officer of the society; or

(c) between the society or its Committee and any officer of the society; or

(d) between the society and any other registered society, such dispute shall be referred to the Registrar for decision.

A claim by a registered society for any debt or demand due to it from a member, past member or the nominee, heir or legal representative of a deceased member, shall be deemed to be a dispute touching the business of the society within the meaning of this subsection.

(2) The Registrar may, on receipt of a reference under subsection (1)—

(a) decide the dispute himself; or

(b) refer it for disposal to an arbitrator or arbitrators.\*

(3) Any party aggrieved by the award of the arbitrator or arbitrators may appeal therefrom to the Registrar within such period and in such manner as may be prescribed.

(4) A decision of the Registrar under subsection (2) or in appeal under subsection (3) shall be final and shall not be called in question in any civil court.

(5) The award of the arbitrator or arbitrators under subsection (2) shall, if no appeal is preferred to the Registrar under subsection (3), or if any such appeal is abandoned or withdrawn, be final and shall not be called in question in any civil court and shall be enforced in the same manner as if the award had been a judgment of a civil court.

49.—(1) Notwithstanding anything contained in the last foregoing section, the Registrar at any time when proceeding to a decision under this Act, or the Minister at any time when an Case stated on question of law

\* Based on Section 48 of the Co-operative Societies Act, 1965

L.R.O. 1/1968

appeal has been preferred to him against any decision of the Registrar under this Act, may refer any question of law arising out of such decision for the opinion of the High Court.

(2) Any Judge, or Judges, of the High Court as the Chief Justice may direct, may consider and determine any question of law so referred and the opinion given on such question shall be final and conclusive.

## PART X

### RULES

#### Rules

50.—(1) The Minister may make all such Rules as may be necessary for the purpose of carrying out or giving effect to the principles and provisions of this Act.

(2) In particular and without prejudice to the generality of the power conferred by subsection (1), such Rules may—

(a) prescribe the forms to be used and the conditions to be complied with in applying for the registration of a society and the procedure in the matter of such applications;

(b) prescribe the conditions to be complied with by persons applying for admission or admitted as members, and provide for the election and admission of members from time to time, and the payment to be made and interest to be acquired before exercising rights of membership;

(c) subject to section 27 prescribe the maximum number of shares or portion of the capital of a registered society which may be held by a member;

(d) prescribe the extent to which a registered society may limit the number of its members;

(e) provide for the withdrawal and expulsion of members and for the payments to be made to members who withdraw or are expelled, and for the liabilities of past members;

(f) provide for general meetings of the members and for the procedure at such meetings and the powers to be exercised by such meetings;

(g) provide for the appointment, suspension and removal of the members of the Committee and other officers, and for the procedure at meetings of the Committee, and for the powers to be exercised and the duties to be performed by the Committee and other officers;

(h) prescribe the matters in respect of which a society may or shall make by-laws and for the procedure to be followed in making, altering and rescinding by-laws, and the conditions to be satisfied prior to such making, alteration or rescission;

- (i) regulate the manner in which funds may be raised by means of shares or debentures or otherwise;
- (j) prescribe the conditions to be observed by a registered society applying for financial assistance from Government;
- (k) prescribe the payments to be made, the conditions to be complied with, and the forms of the bonds, instruments, or other documents to be executed, by members applying for loans or cash credits, the period for which loans may be made or credits granted, and the maximum amount which may be lent and the maximum credit which may be allowed to individual members with or without the consent of the Registrar;
- (l) provide for the mode in which the value of a deceased member's interest shall be ascertained, and for the nomination of a person to whom such interest may be paid or transferred;
- (m) provide for the mode in which the value of the interest of a member who has become of unsound mind and incapable of managing himself or his affairs shall be ascertained and for the nomination of any person to whom such interest may be paid or transferred;
- (n) provide for the formation and maintenance of reserve funds, and the objects to which such funds may be applied, and for the investment of any funds under the control of any registered society;
- (o) prescribe the conditions under which profits may be distributed to the members of a society with unlimited liability and the maximum rate of dividend which may be paid by societies;
- (p) prescribe the accounts and books to be kept by a registered society, and for the periodical publication of a balance sheet showing the assets and liabilities of a registered society;
- (q) provide for the audit of the accounts of registered societies and for the charges, if any, to be made for such audit and provide for the levy of contributions from all or any registered societies to a fund to be used for the audit and supervision of existing societies and co-operative propaganda and prescribe for the administration of such a fund;
- (r) prescribe the returns to be submitted by registered societies to the Registrar, and the persons by whom and the form in which the same are to be made;
- (s) provide for the persons by whom, and the form in which, copies of entries in books of registered societies may be certified;
- (t) provide for the formation and maintenance of a register of members, and, where the liability of members is limited by shares, of a register of shares;
- (u) provide for the inspection of documents and registers at the Registrar's office and the fees to be paid therefor and for the issue of copies of such documents or registers;
- (v) prescribe the manner in which any question as to the breach of any by-law or contract relating to the disposal of

produce to or through a society, may be determined, and the manner in which the liquidated damages for such breach may be ascertained or assessed;

(w) prescribe the mode of appointing an arbitrator or arbitrators and the procedure to be followed in proceedings before the Registrar or such arbitrator or arbitrators;

(x) prescribe the procedure to be followed by a liquidator appointed under section 40 and the cases in which appeals shall lie from the orders of such liquidator;

(y) prescribe the forms to be used, the fees to be paid, the procedure to be observed and all other matters connected with or incidental to the presentation, hearing and disposal of appeals under this Act or the Rules.

## PART XI

## MISCELLANEOUS

Recovery of sums due to Government

51.—(1) All sums due from a registered society or from an officer or member or past member of a registered society as such to the Government may be recovered in the manner provided for the recovery of debts due to the Government under the law for the time being in force.

(2) Sums due from a registered society to the Government and recoverable under subsection (1) may be recovered first, from the property of the society; secondly, in the case of a society of which the liability of members is limited, from the members subject to the limit of their liability; and thirdly, in the case of other societies, from the members.

Special powers of Minister to exempt any society from requirements as to registration

52. Notwithstanding anything contained in this Act the Minister may, by special order in each case and subject to such conditions as he may impose, exempt any society from any of the requirements of this Act as to registration.

Special power of Minister to exempt societies from provisions of Act

53. The Minister may by general or special order exempt any registered society or class of societies from any of the provisions of this Act, or may direct that such provisions shall apply to any society or class of societies with effect from such date or with such modifications as may be specified in the order.

Power to exempt from stamp duty and registration fees

54.—(1) The Minister by notice published in the *Gazette* may, in the case of any registered society or class of registered societies, remit—

(a) the stamp duty with which, under any law for the time

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being in force, instruments executed by or in behalf of a registered society, or by an officer or member, and relating to the business of such society, or any class of such instruments are respectively chargeable; or

(b) any fee payable under the law of registration for the time being in force.

(2) A notification exempting any registered society from the fees referred to in subsection (1) (b) may provide for the withdrawal of such exemption.

55.—(1) No person other than a registered society shall trade or carry on business under any name or title of which the word "co-operative" is part without the sanction of the Minister:

Prohibition of the use of the word "co-operative"

Provided that nothing in this section shall apply to the use by any person or his successor in interest of any name or title under which he traded or carried on business at the commencement of this Act.

K10 - 00  
K2 - 00

(2) Any person who contravenes this section shall be liable on summary conviction to a fine of £5, and in the case of a continuing offence to a further fine of £1 for each day during which the offence continues.

56. The Companies Act, the Business Names Registration Act and the Trade Unions Act shall not apply to a registered society.

Certain Acts not to apply  
Cap. 46:03  
Cap. 46:02  
Cap. 54:01  
Penalty for non-compliance with Act

57.—(1) Any registered society or an officer or a member thereof, wilfully neglecting or refusing to do any act or to furnish any information required for the purposes of this Act by the Registrar or other persons duly authorized by him in this behalf shall be guilty of an offence.

(2) Any person wilfully or without any reasonable excuse disobeying any summons, requisition or lawful written order issued under this Act, or failing to furnish any information lawfully required from him by a person authorized to do so under this Act, shall be guilty of an offence.

K50 - 00

(3) Any person guilty of an offence under this section shall be liable to a fine of £25.

58. If any person obtains possession of any property of a registered society by false representation, or having the same in his possession withholds or misapplies the same or wilfully applies any part thereof to purposes other than those expressed or directed in the by-laws of the society, and authorized by this

Penalty for fraud or misappropriation

K100 - 00

Act, he shall, on the complaint of the society, or of any member authorized by the society, or the Committee thereof, or by the Registrar, be liable to a fine of £50 and be ordered to deliver up all such property or to repay all moneys applied improperly and, in default of such delivery or repayment, or of the payment of such fine, to imprisonment for one year.

**Conversion  
of company  
into society**

Cap. 46:03

**\*59.**—(1) A company incorporated under the Companies Act may, by a special resolution as defined in this section, determine to convert itself into a registered society, and upon such conversion the reserves and assets of the company shall pass to the registered society, and the reserves shall thereafter be indivisible.

(2) (a) For the purposes of this section, a special resolution shall mean a resolution which has—

(i) been passed by three-fourths of such members of the company as being entitled to do so, vote in person at a special meeting, of which not less than 21 days notice specifying the intention to propose the resolution has been duly given; and

(ii) been confirmed by three-fourths of those shareholders present at a general meeting of all shareholders of the company, of which not less than 21 days notice specifying the terms of the resolution and the intention to propose it as in the last preceding subparagraph has been duly given and at which not less than one quarter of the shareholders of the company are present.

(b) Notice of a special meeting and of a general meeting shall be deemed to be duly given if given in such manner as is considered adequate and practicable by the Directors, and in such manner as has been employed in the past for the calling of General Meetings.

(3) A special resolution under this section shall provide that persons holding shares in the company shall be entitled, on application within the period specified in the Resolution, to realize such shares at their full nominal value. Such period shall not be less than 30 days from the date of the confirmatory meeting required to be held by subsection (2) (a) (ii). Every shareholding in respect of which no application has been made within the period specified will be converted into shares of the same nominal value in the registered society.

(4) A special resolution for the conversion of a company into a

**\*NOTE.**—(1) This section shall be deemed to have come into operation on the 1st day of November, 1960.

(2) Any notice given for the purposes of holding a special or general meeting, or any special resolution passed and confirmed pursuant to such notice, after the 1st day of November, 1960, which, had this Act been in operation on the date that such notice was given or such special resolution was passed, would have been a valid notice and a valid special resolution in accordance with the provisions of this section, shall be a valid notice and a valid special resolution.

registered society shall be accompanied by a copy of the proposed by-laws of the society therein referred to, and shall provide for the appointment of not more than ten persons, members of the company who, together with the secretary, shall sign the by-laws, and who shall be authorized to accept any alterations made by the Registrar therein, without further consulting the company.

(5) With the by-laws a copy of the special resolution for conversion of the company into a registered society, together with a copy of the minutes of the general meeting confirming it, shall be sent to the Registrar with the application required under section 6. The Registrar, upon registration of the society, shall give to it, in addition to the acknowledgment of registry, a certificate similarly sealed or signed that the by-laws of the society referred to in the resolution have been registered, but in the registered name of the company as a society the word "company" shall not be used.

(6) A certified copy of the resolution for the conversion of the company into a registered society under the seal of the company, together with a certified copy of the minutes of the general meeting confirming it, and with the certificate so issued by the Registrar, shall be sent for registration to the Registrar of Companies, and upon the registration of such resolution and certificate, the conversion shall take effect.

(7) Upon the conversion of a company into a registered society the registry of the company under the Companies Act shall become void, and shall be cancelled by the Registrar of Companies; but the registration of a company as a registered society shall not affect any right or claim for the time being incurred by such company, and, for the purpose of enforcing any such right, claim or penalty, the company may be sued and proceeded against in the same manner as if it had not become registered as a society. And every such right or claim, and the liability to such penalty, shall have priority as against the property of such society over all other rights or claims against or liabilities of the society.

DELEGATION OF CERTAIN OF THE MINISTER'S POWERS AND DUTIES TO THE RESERVE BANK.

60 - (1) THE MINISTER MAY BY ORDER PUBLISHED IN THE GAZETTE DELEGATE TO THE RESERVE BANK OF MALAWI SOME OF THE POWERS AND DUTIES CONFERRED UNDER THIS ACT AS RELATE TO THE CONDUCT OF BANKING BUSINESS BY A SOCIETY INCLUDING THE POWERS AND DUTIES RELATING TO THE REGISTRATION CANCELLATION OF REGISTRATION AND SUSPENSION OF SOCIETIES

(2) IN THIS SECTION "BANKING BUSINESS" HAS THE MEANING ASCRIBED THERETO IN THE BANKING ACT 1989

20/10/89

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## SUBSIDIARY LEGISLATION

## CO-OPERATIVE SOCIETIES RULES

## ARRANGEMENT OF RULES

## RULE

1. Citation - *COOP SOCIETIES ACT*
2. Register of societies - *UNDER SECTION 10 & 11*
3. Entries *IN THE REGISTER TO BE SIGNED BY THE REGISTRAR*
4. Alterations - *AS PROVIDED BY REGISTRATION*
5. Inspection - *REGISTER TO BE INSPECTED BY PUBLIC OFFICER*
6. Applications for registration of societies - *TO BE SENT TO REGISTRAR + 3*
7. Registration
8. Forwarding of papers
9. Refusal to register
- X 10. Register of members
11. Keeping of accounts
12. Election of members
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16. No limit on number of members
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## RULE

47. Restrictions on loans to defaulters
48. Extensions of loans
49. Misapplication of loan
50. Recovery of loans
51. Marketing
52. Bad debts
53. Preparation of annual accounts and report
54. Transfer of shares
55. Secretary
56. Payment of secretary
57. Security of secretary
58. Suspension of secretary
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60. Duties of secretary
61. Treasurer
62. Security by treasurer
63. Duties of treasurer
64. Indebted registered society
65. Reserve fund
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67. Audit and supervision fund
68. By-laws
69. Amendment of by-laws
70. Copies of entries
71. Reference of a dispute to the Registrar for decision
72. Reference to arbitration by the Registrar
73. Proceedings before the arbitrator or arbitrators
74. Proceedings before the Registrar
75. Fees
76. Control of registered society by the Registrar
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80. Restriction of the taking of legal and other proceedings against the Registrar

## SCHEDULE

**CO-OPERATIVE SOCIETIES RULES***under s. 50*

G.N.  
 182/1946  
 100/1947  
 21/1955  
 38/1958  
 71/1959  
 5/1963  
 42/1963  
 149/1963

1. These Rules may be cited as the Co-operative Societies Citation Rules.

2. The Registrar shall keep or cause to be kept at his office a Register to be called "the Register of Societies" wherein shall be

Register of  
 societies

L.R.O. 1/1968

## [Subsidiary]

## Co-operative Societies Rules

entered particulars relating to the registration of societies and their by-laws.

**Entries**      3. All original entries in the Register of Societies shall be made by, or under the direction of, the Registrar and shall be signed by him.

**Alterations**      4. Every alteration, interlineation or erasure in the Register of Societies shall be initialled by the Registrar.

**Inspection**      5. The Register of Societies shall be open to inspection by the public at all reasonable times and free of charge.

**Applications for Registration of Societies**      6.—(1) Every application for the registration of a society shall be submitted to the Registrar in the form prescribed by him.

(2) Three copies of the by-laws in English or the vernacular which the society proposes to adopt shall be submitted together with the application.

**Registration**      7. Where the Registrar decides to register a proposed society the society and its by-laws shall be registered in the Register of Societies.

**Forwarding of papers**      8. Upon the registration of a society the Registrar shall forward to the society, free of charge—

(a) a Certificate of Registration;

(b) a copy of the by-laws of the society as approved by him and certified under his hand as having been approved by him;

(c) a copy of the Act and of the Rules in English, together with an explanatory memorandum in the vernacular, if the Registrar considers such a course necessary.

**Refusal to register**      9. When the Registrar refuses to register a society or its by-laws he shall record in writing his reasons for doing so.

**Register of members**      10. Every registered society shall keep a register to be called "the Register of Members" wherein shall be entered—

(a) the name, address and occupation of each member and a statement of the shares, if any, held by him;

(b) the date on which each member's name was entered in the register;

(c) the date on which any member ceased to be a member; and

(d) the nominee, if any, appointed under rule 17.

11. Every registered society shall keep accounts in such manner as may from time to time be prescribed by the Registrar. Keeping of accounts
12. The election and admission of members to a registered society, other than original members, shall be in such manner and on such conditions as the by-laws shall prescribe. Election of members
13. A member may withdraw from a registered society by giving written notice to the Secretary, but such withdrawal shall be without prejudice to section 28 (1) of the Act. Withdrawal by members
14. If a member acts in contravention of the Rules or by-laws or acts in any way detrimental to the interests of the registered society such member may be expelled by a vote of two-thirds of the members present at a general meeting upon a charge communicated to him in writing by the committee not less than one week before the meeting. Such expulsion shall, however, be without prejudice to section 28 (1) of the Act. Expelling members
15. Any member who loses any of the qualifications for membership prescribed by the Act or the Rules or the by-laws shall cease to be a member of the registered society and the committee shall cause his name to be struck off the Register of Members without prejudice to any liabilities of such person under section 28 (1) of the Act. Loss of qualifications
16. No registered society shall fix any limit to the number of its members. No limit on number of members
- 17.—(1) Every appointment of a nominee by any member of a registered society for the purpose of section 17 of the Act shall be made in writing signed or attested by the member in the presence of two attesting witnesses. Nominees
- (2) No member of a registered society with share capital shall be entitled to appoint more than one nominee unless that member holds more than one share.
- (3) In any case where more than one nominee is appointed by any member the number of shares to be transferred or the exact proportion of the amount available that is to be transferred to each of these nominees shall be specified at the time of the appointment.
- (4) Every appointment of a nominee shall be recorded in the Register of Members.
- (5) For the purpose of a transfer to a nominee, the value of any share or interest shall be represented by the sum actually paid for that share or interest by the member holding it unless the by-laws of the registered society otherwise provide.

[Subsidiary]

Co-operative Societies Rules

(6) Where any money is paid to a nominee who is a minor, a receipt given either by the minor or by his guardian shall be sufficient discharge to the registered society.

Division of profits

**18.**—(1) Unless otherwise authorized by the Minister under the proviso to section 33 (1) of the Act no dividend or payment on account of profits shall be made by a society registered with unlimited liability until the reserve fund has reached a proportion of not less than one-tenth of the society's total liabilities.

(2) No registered society shall pay a dividend if the rate of interest on loans granted by it to its members exceeds ten per centum per annum.

(3) No registered society shall pay a dividend on share capital exceeding five per centum per annum on the capital actually paid up.

(4) A bonus based on wages or on the value of the products of a member, or a bonus or rebate on patronage calculated in proportion to the amount of the business done by each member with the registered society may be distributed periodically to the members from surplus funds after the deduction of all expenditure and after making provision for bad and doubtful debts and making allocation to the reserve fund.

Maximum liability

**19.**—(1) Every registered society shall, from time to time, fix at a general meeting the maximum liability it may incur in loans or deposits whether from members or non-members.

(2) The maximum so fixed shall be subject to the sanction of the Registrar, who may at any time reduce it. No registered society shall receive loans or deposits which will make its liability exceed the limit sanctioned by the Registrar.

General meeting

**20.** The supreme authority in a registered society shall be vested in the general meeting, at which every member has the right to attend and vote on all questions, unless the by-laws of the society provide for some alternative form of representation. Each person entitled to attend shall have one vote only which shall be exercised in person and not by proxy.

First meeting

**21.** The first meeting of members shall have the same powers as are given to the annual general meeting, and shall be held immediately or not later than one month after the receipt of the Certificate of Registration of the Society.

Annual general meeting

**22.** The annual general meeting of members shall be convened by the committee as soon as the report on the audit of the accounts of the registered society by the Registrar or person

authorized by him is received by the committee. At least eight days' notice shall be given before any such general meeting is held:

Provided that the Registrar may at any time after the audit of the accounts has been completed convene the annual general meeting which shall proceed as if it has been convened by the committee.

**23.** The functions of the annual general meeting shall be— Functions of  
annual  
meeting

(a) to confirm the minutes of the previous annual meeting and of any intervening special general meeting;

(b) to consider the reports of the committee and the balance sheet together with the report on the audit of the accounts of the registered society for the previous year as prepared by the Registrar or the person authorized by him;

(c) to approve the accounts or if the accounts are not approved to cause the secretary to notify the Registrar who shall consider the matter and make his decision thereon, and such decision as to the correctness of the accounts shall be final and conclusive;

(d) to hear and decide upon any complaints brought by members aggrieved by a decision of the committee:

Provided that notice of such complaints to be brought before the meeting has been given to the secretary at least two days prior to the meeting; and

(e) to transact any other general business of the registered society.

**24.** A special general meeting of members may be convened at any time by the committee; and on receipt of a demand stating the object of the proposed meeting signed or attested by not less than one-fourth of the persons who are members of the registered society or of any registered society which is a member of the society, it shall be the duty of the chairman of the committee to convene such a meeting giving eight days' notice. If the chairman of the committee fails to convene a meeting within fourteen days from the receipt of a demand as aforesaid the members applying for such a meeting will have the right to convene the meeting by notice which must contain the object of the proposed meeting and a statement to the effect that the meeting is convened on the failure of the chairman of the committee to convene the meeting demanded: Special  
general  
meeting

Provided that the Registrar or a person authorized by him may at any time summon a special general meeting of the regis-



tered society in such manner and at such time and place as he may direct. He may also direct what matters shall be discussed at the meeting. Such meeting shall have all the powers of a meeting called according to the Rules.

Quorum at  
general  
meetings

25.—(1) When a registered society consists of not more than forty members one-half of the number of the members or ten members, whichever is the less, shall form a quorum for the purposes of the annual or a special general meeting, and when a registered society consists of more than forty members one-fourth of the total number of the members of such society shall form a quorum for the purposes of the annual or a special general meeting:

Provided that—

(a) when any meeting is summoned by the Registrar any members present at such meeting shall be deemed to form a quorum;

(b) in the case of a society of which a registered society is a member or of which there are branches, the quorum at a general meeting of the society shall be as provided for in the by-laws of the society.

(2) If within one hour after the time fixed for any meeting other than a meeting convened by the Registrar the members present are not sufficient to form a quorum such meeting shall be considered as dissolved if convened on the demand of members; in all other cases it shall stand adjourned to the same day in the next week at the same time and place and a notice to that effect shall be posted by the secretary within twenty-four hours, and if at the adjourned meeting a quorum is not present within one hour from the time appointed for the meeting the members present shall form a quorum.

Chairman of  
general  
meetings

26.—(1) The chairman of the committee or in his absence any other person elected by a majority of those present shall preside at the annual or special general meeting:

Provided that the Registrar or a person appointed by him shall preside at any meeting convened by himself or on his demand.

(2) The secretary or in his absence any other person nominated in writing by the chairman shall act as secretary at the meeting. The chairman, if necessary, may nominate other officers to assist at the meeting.

(3) The chairman may by the decision of the meeting adjourn the meeting from time to time and from place to place but no business shall be transacted at any meeting so adjourned other

than the business left unfinished at the meeting from which the adjournment took place.

(4) The chairman shall have the right to order the closure of a discussion and put the matter to the vote.

27. Any question submitted to the decision of the members present at a meeting, unless otherwise dealt with in the Rules, shall be decided by a majority of votes. Voting at general meetings

28.—(1) At any meeting a resolution put to the vote shall be decided on a show of hands unless voting by call of names or a ballot is demanded by at least five of the members present before the declaration of the result of the show of hands, and in such case voting by call of names or a ballot shall be taken as the case may be. Method of voting

(2) The chairman shall have an ordinary vote and in case of an equality of votes shall be entitled to a casting vote. In the case of a meeting convened by the Registrar and presided over by him or his representative, he or his representative shall not be entitled to vote except on an equality of votes, in which case they shall have a casting vote.

(3) In respect of every resolution put to the vote the chairman shall declare whether it has been carried or lost, and whether on a show of hands or unanimously or by a particular majority, and an entry to that effect in the minute book shall be conclusive evidence of anything therein contained.

29. Minutes of the meetings shall be entered in the minute book and signed by the chairman and secretary and shall contain— Minutes of general meetings

(a) the number of the members present at the meeting and the name of the chairman or of the person who presided at the meeting;

(b) the time fixed for the meeting and the time the meeting commenced;

(c) the total number of members on the date on which the meeting was held; and

(d) all resolutions passed or decisions made at the meeting.

30.—(1) The committee shall be elected at the annual general meeting of the registered society and, subject to rule 37, its members shall hold office until the election of a new committee and they shall be eligible for re-election. Election of committee

(2) The committee shall consist of such number of members as

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Co-operative Societies Rules

may be provided in the by-laws of the Society, which shall also specify what number of members shall constitute a quorum.

Chairman of committee

**31.** The committee shall elect its own chairman, who shall have an ordinary vote and on an equality of votes shall be entitled to a casting vote. In the temporary absence of the chairman, the committee shall elect one of its members to perform his duties.

Duties of committee

**32.—(1)** The committee shall represent the registered society before all competent public authorities and in all dealings and transactions with third persons, with power to institute or defend suits brought in the name of or against the society, and in general it shall carry out such duties in the management of the affairs of the registered society as have not been specially assigned by the Rules or the by-laws to general meetings or to any other officer of the society.

(2) The committee shall always keep a copy of the latest annual balance sheet of the registered society together with the report referred to in rule 22, available at the registered office of the society for inspection during office hours by any member of the society.

Meetings of committee

**33.** The committee shall meet as often as the business of the registered society may require and in any case not less frequently than once a month. Meetings of the committee shall be summoned by the secretary in writing.

Procedure at meetings of committee

**34.** At each committee meeting the secretary shall—

- (a) read the minutes of the preceding meeting;
- (b) produce the cash book, detail the entries of receipts and payments made therein since the last meeting and with the treasurer produce the cash in their possession for verification by the committee with the cash book;
- (c) produce a statement showing the loans due and unpaid, for determination by the committee as to the action to be taken in each case;
- (d) produce applications for loans, if any, for determination by the committee in accordance with the priority of receipt; and
- (e) submit any other business for consideration by the committee.

Voting

**35.—(1)** Any question submitted to the decision of the members of the committee shall be decided at a meeting by a majority of the votes of those members present at the meeting.

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(2) The quorum at a meeting of the committee shall be as provided for in the by-laws of the society.

36. Minutes of committee meetings shall be recorded by the secretary in the minute book and shall be signed by the chairman or other presiding member and by the secretary and shall contain the following particulars—

Minutes of meetings of committee

(a) the names of the members present and the date of the meeting;

(b) the name of the chairman or other presiding member; and

(c) a short statement of all matters discussed and decisions made and a record as to whether each decision was made unanimously or by a majority.

37. Any member of the committee who, without good reason in the opinion of the committee, fails to attend at three consecutive meetings of the committee shall be deemed to have vacated his office which shall thereupon be filled as provided by rule 38.

Failure to attend meetings of committee

38.—(1) Vacancies occurring on the committee shall be filled within eight days by the election of substitutes elected by the remaining members of the committee.

Vacancies on committee

(2) Any substitutes elected or appointed under subrule (1) shall hold office until the expiration of office of the committee.

39. The committee may borrow money on behalf of the registered society to an amount not exceeding such total amount as may have been fixed in accordance with rule 19.

Borrowing powers

40. The committee may, subject to the approval of the Registrar, open a banking account. All cheques shall be signed by two members of the committee and the secretary:

Banking account

Provided that with the authority in writing of the Registrar previously obtained, cheques may be signed by one member of the committee and the secretary.

41.—(1) The Committee may—

Employees

(a) appoint such clerks or employees as it considers necessary; and

(b) fix the salary, wages or remuneration of every such clerk or employee, subject to any scales laid down by a resolution of the members in general meeting assembled:

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Provided that, where a registered society is indebted to the Government or to any bank, no appointment of any officer, or of any other employee empowered by the committee to give directions in regard to the business of such society, shall be valid and effective, and no remuneration fixed by the committee shall be payable or recoverable, unless approved by the Registrar. Every such approval shall be communicated in writing by the Registrar to the committee.

(2) Subject to the proviso to subrule (1), every clerk or employee appointed under this rule shall hold office during the pleasure of the committee.

*Rules 42-50 applicable to credit societies*

Application  
for a loan

42. Members who desire to obtain a loan shall submit an application to the committee stating the amount and the purpose for which the loan is required, the term for which it is asked, whether it is desired to repay it by instalments, and the names of the proposed sureties or any other security which is offered.

Sanction of  
loan

43.—(1) The committee shall consider at a meeting every application for a loan and if the committee is satisfied with the trustworthiness of the applicant, the sufficiency of the security offered and the prospects of advantage to the borrower, in the way of increased production or economy or otherwise, it may sanction the loan.

(2) No person other than members of the committee and the secretary and the Registrar and his staff shall be present at any meeting of the committee when an application for a loan is under consideration. A member of the committee who applies for a loan or who is proposed as surety for a loan must withdraw while the relevant application is being discussed. If there is a difference of opinion concerning the granting of a loan, the voting shall be taken by ballot. The proceedings with regard to loans at committee meetings shall be kept secret, and any member of the committee or officer of the registered society infringing this rule shall be liable to immediate expulsion or dismissal.

Security for  
loans

44. Loans, when approved by the committee, shall be granted to members who are able to obtain two sureties approved by the committee, or who can give other security to the satisfaction of the committee.

Purpose of  
loans

45.—(1) No loan shall be made except for a purpose to be approved in each case by the committee.

(2) All loans made shall be applied by the borrowing members to such purpose as the committee has approved.

46. When a loan is sanctioned by the committee a notice shall be sent to the borrower to that effect, and, before the amount is advanced, the borrower and his sureties shall execute an instrument in writing setting out the terms of repayment of the loan and containing such other terms and conditions as the committee may consider necessary.

Documents relating to loans

47. Where a member—

(a) is in default in the payment of a loan or of an instalment of a loan; and

(b) does not satisfy the committee that such default is due to a good cause,

such member shall not be entitled to receive another loan from the registered society.

Restrictions on loans to defaulters

48. If by reason of sickness or some other cause, a member finds that he will be unable to discharge his obligations to the registered society and notifies the secretary in writing before a loan is due the committee may extend the time fixed for payment on such conditions as it thinks fit.

Extensions of loans

49. Where the committee is satisfied that a member of the registered society who has obtained a loan has applied the proceeds thereof to a purpose other than the purpose which is stated in the application therefor under rule 43, the committee may, by notice in writing to the debtor, demand payment of the loan before the agreed date of payment.

Misapplication of loan

50. Where—

(a) a loan or an instalment of a loan has not been paid on the date on which it became due; and

(b) no extension for the payment thereof has been given to the debtor by the committee under rule 48,

the committee shall take steps for the recovery of the same by referring the matter to the Registrar as prescribed in section 48 of the Act.

Recovery of loans

*Rule 51 applicable to Marketing Societies*

51.—(1) Every member of the society shall deliver to the society at such place as the committee shall direct such amount of articles produced or obtained by him as may be prescribed in the by-laws or in the relevant contract to be disposed of by the society.

Marketing

(2) Any member who is approved or adjudged in accordance with section 48 of the Act to be guilty of a breach of the by-laws

or the relevant contract as the case may be shall pay to the society as liquidated damages such sum as may be specifically assessed or ascertained in manner prescribed by the by-laws or by the relevant contract and such sum shall be deemed to be a debt due to the society.

## Bad debts

52. The committee may, with the approval of the Registrar, cause bad debts to be written off the books of the registered society in such manner and at such times as the Registrar may deem fit.

## Preparation of annual accounts and report

53. The committee shall in every year and as soon as conveniently possible within such time as the Registrar may direct—

(a) cause the secretary to prepare and send to the Registrar the yearly balance sheet closed on the (insert day and month) of the preceding year together with a detailed statement of the profit and loss account; and

(b) prepare a report on the year's working of the registered society to be presented to the annual general meeting.

## Transfer of shares

54.—(1) Any share may be transferred with the approval of the committee to any other member at the option of the transferor, but if the transferee is not a member, he must be approved of as a member by the committee, or the general meeting according to the by-laws relating to the admission of members before the transfer can be registered; and if the by-laws require a member to hold more than one share, the transferee must acquire by the transfer, or by the transfer and allotment, the number so required to be held before the transfer can be registered.

(2) No transfer of a share shall be valid and effective unless and until such transfer has been registered by the secretary on the direction of the committee.

(3) No transfer of a share shall be registered if made by a member indebted to the registered society without special order of the committee, and until the transfer of a share is registered no right shall be acquired against the registered society by the transferee, nor shall any claim of the registered society upon the transferor be affected thereby.

## Secretary

55.—(1) The committee shall appoint a secretary and, unless the person so appointed is a member of the committee, shall have power to fix the remuneration for his services.

(2) The secretary, if a member of the committee, shall be unpaid.

(3) Where a registered society is indebted to the Government

or to any bank, no appointment made under the provisions of subrule (1) shall be valid and effective, and no remuneration fixed thereunder shall be payable or recoverable, unless approved by the Registrar. Every such approval shall be communicated in writing by the Registrar to the committee.

(4) The secretary shall occupy his office until his services are determined by one month's notice in writing given by the committee:

Provided that, where a registered society is indebted in the manner referred to in subrule (3), no determination as aforesaid shall be valid and effective until the approval of the Registrar in writing has been obtained therefor.

(5) The secretary may resign his office by giving one month's notice to the committee in writing.

56. The remuneration of the secretary, if any, shall be paid from the funds of the registered society monthly in arrear. Payment of secretary

57.—(1) The secretary may be required to give security in such amount as the committee may determine. Security of secretary

(2) Every such security and the amount thereof shall be subject to the approval of the Registrar to be signified in writing to the committee.

58.—(1) The committee may at any time suspend the secretary for any irregularity in the performance of his duties. Suspension of secretary

(2) In the event of the suspension of the secretary the committee shall forthwith appoint a substitute to hold office during the period of such suspension.

59.—(1) The secretary shall not absent himself from duty save with the permission of the committee previously obtained. Temporary absence of secretary

(2) During the absence of the secretary, the committee shall appoint a temporary secretary.

60. The duties of the secretary shall be— Duties of secretary

(a) to attend all meetings of the registered society and of the committee and to carry out all the instructions of the committee;

(b) to be present at the office during the hours of business as fixed from time to time by the committee;

(c) to record the whole of the transactions of the registered society in the books provided for that purpose; to conduct correspondence on behalf of the registered society; to prepare

the annual statement of accounts and balance sheet; and to have charge of the documents, books and vouchers for payments and receipts on behalf of the registered society;

(d) to receive all applications for loans and bring the same before the committee; to prepare receipts and other documents in the form prescribed for signature by borrowers prior to their taking the loans sanctioned; and with the authority of the committee to supply information about the registered society which may be applied for by members;

(e) to receive all moneys due or payable to the registered society and issue receipts to the payer for same;

(f) to deposit with the treasurer from moneys collected by him on behalf of the registered society all sums in excess of an amount to be fixed from time to time by the committee and to obtain from him a receipt;

(g) to keep separate all moneys belonging to the registered society and on no account to mix them with any other moneys; and to produce at all times when called upon to the committee, or the Registrar or any person authorized by him, all moneys in his hands belonging to the registered society;

(h) to make payments as authorized by the committee, obtaining the payee's signature for the same;

(i) to issue a receipt when receiving money from the treasurer; and

(j) to summon meetings as provided in the Rules.

Treasurer

61. The committee shall appoint one of the members of the committee, not being the chairman, to be the treasurer.

Security by treasurer

62. The treasurer may be required to give security for such amount as may be determined by, and to the satisfaction of, the committee.

Duties of treasurer

63. The duties of the treasurer shall be—

(a) to receive from the secretary as provided in rule 60 (f) moneys collected by the latter on behalf of the registered society, furnishing him with a receipt;

(b) to advance money to the secretary for payments and obtain from him a receipt;

(c) to place to the account of the registered society in such bank as may be approved by the Registrar any amount in his hands in excess of the amount fixed from time to time by the committee;

(d) to keep separate all moneys belonging to the registered society and on no account to mix them with any other moneys; and to produce at all times when called upon to the committee, the Registrar or any person authorized by him, all moneys in his hands belonging to the registered society; and

(e) to keep a record of all moneys received by him from the secretary and of all moneys paid to the secretary.

64. In the case of any registered society indebted to the Government, the Agricultural Development and Marketing Corporation, or to any bank, if, in the opinion of the Minister, any officer, or any other employee empowered by the committee to give directions in regard to the business of such society, is unfit for the discharging of his duties, such society shall either suspend or dismiss him, as the Minister may require, in writing. Indebted  
registered  
society

65.—(1) The reserve fund of a registered society, created in pursuance of section 33 (1) of the Act, may, with the sanction of the Registrar— Reserve  
fund

(a) be utilized in the business of the registered society; or

(b) be applied to meet occasional deficiencies incurred by the registered society; or

(c) be distributed among the members by way of dividend or bonus to the extent to which the value of the reserve fund exceeds the replacement value of the buildings, machinery and equipment of the registered society.

(2) In sanctioning the utilization or application of the reserve fund under subrule (1), the Registrar may impose such terms and conditions as he may deem fit.

66. In pursuance of section 34 of the Act, the accounts of every registered society shall be audited once at least in every year by some person authorized by the Registrar. Such person shall have access to all the books and accounts of the registered society and shall examine every balance sheet and annual return of the receipts and expenditure, funds, and effects of the registered society, and shall verify the same with the accounts and vouchers relating thereto, and shall either sign the same as found by him to be correct, duly vouched and in accordance with the Act, and shall report to the Registrar accordingly, or shall specially report to the Registrar in what respects he finds the same incorrect, unvouched or not accordance with the Act. The Registrar shall thereupon forward the report of such person to the committee. Audit of  
accounts

(Subsidiary)

Co-operative Societies Rules

Audit and  
supervision  
fund

67.—(1) There shall be constituted a fund to be known as the Audit and Supervision Fund and every registered society shall, when called upon to do so by the Registrar, make annually a contribution to such fund at such rate and in such manner as shall be notified by the Minister by notice published in the *Gazette*.

(2) The fund shall be held and administered by the Registrar for the benefit of the contributing registered societies, and he shall make such payments from the fund as he shall deem necessary.

(3) The Registrar shall report every year to the Minister in respect of the income derived from contributions, the expenditure he has sanctioned from the fund, and the balance in his hands.

By-laws

68.—(1) The by-laws of a proposed society shall contain provision in respect of the following matters—

- (a) the name of the society;
- (b) the registered address of the society;
- (c) the objects for which the society was established;
- (d) the purposes to which the funds may be applied;
- (e) the qualifications for membership, the terms of admission of members, and the mode of election;
- (f) the nature and extent of the liability of members;
- (g) the manner of raising funds, including the maximum rate of interest on deposits; and
- (h) in the case of a society of which a registered society is to be a member or of which there are to be branches, the representation of the member society or the branch, as the case may be, at general meetings and the quorum at such meetings.

(2) If the objects of the proposed society include the creation of funds to be sent to the members, the proposed by-laws shall, in addition, contain provision in respect of the following matters—

- (a) the occupation or residence of the members;
- (b) the conditions on which loans may be made to members, including—
  - (i) the rate of interest, and
  - (ii) the maximum amount which may be lent to a member; and
- (c) the consequences, if any, of default in the payment of any sum due on account of shares.

**69.**—(1) Where in pursuance of section 10 (1) of the Act a registered society amends its by-laws, a copy of the resolution of the members at a general meeting shall be forwarded to the Registrar together with three copies of the amendment. Amendment  
of by-laws

(2) The proportion of the total number of members who shall be present at a general meeting of a society at which a resolution to amend a by-law is moved and the majority required to pass such resolution shall be laid down in the by-laws of the society.

**70.** For the purposes of section 20 of the Act a copy of an entry in the book of a society may be certified by a certificate written at the foot of such copy, declaring that it is a true copy of such entry and that the book containing the entry is still in the custody of the society: such certificate being dated and signed by the secretary and one member of the committee. Copies of  
entries

**71.**—(1) Reference of a dispute to the Registrar for decision under section 48 (1) of the Act may be made— Reference of  
a dispute to  
the Regis-  
trar for  
decision

(a) by the committee; or

(b) by the registered society in pursuance of a resolution in that behalf taken in general meeting; or

(c) by any party to the dispute; or

(d) where the dispute concerns a member of the committee and the registered society, by any member of the registered society; or

(e) by a liquidator appointed under section 40 of the Act.

(2) Every reference under this rule shall be made by a statement in writing addressed to the Registrar. Such statement shall—

(a) be dated;

(b) specify the dispute;

(c) set out full particulars of the dispute; and

(d) be signed by the party making it.

**72.**—(1) Where, in pursuance of section 48 (2) (b) of the Act, the Registrar decides to refer a dispute to arbitration, such decision shall be embodied in an order of reference under his hand. Reference to  
arbitration  
by the  
Registrar

(2) Every order of reference under this rule shall—

(a) specify the name, surname, place of abode and occupation of the arbitrator or arbitrators;

(b) set out the dispute and full particulars thereof; and

(c) limit the time within which the award shall be forwarded by the arbitrator or arbitrators to the Registrar:

Provided that, on good cause shown to his satisfaction, the Registrar may by a further order enlarge the time whether before or after the time limited by the order of reference has expired.

(3) Where the Registrar decides to refer a dispute to more than one arbitrator, such reference shall be to three arbitrators, of whom one shall be nominated by each of the parties to the dispute and the third shall be nominated by the Registrar and shall act as chairman.

(4) Where under subrule (3) reference is made to three arbitrators, the following provisions shall have effect—

(a) if any party to the dispute fails to nominate an arbitrator within such time as the Registrar may specify, the Registrar may make the nomination himself;

(b) if an arbitrator nominated by one of the parties to the dispute dies, or refuses or neglects to act, or by absence or otherwise becomes incapable of acting, the Registrar shall call upon the party concerned to nominate a new arbitrator within such time as the Registrar may specify, and if no new arbitrator is nominated accordingly, the Registrar may nominate one himself;

(c) if the arbitrator who dies, or refuses or neglects to act, or becomes incapable of acting, was nominated by the Registrar, a new arbitrator shall be nominated in his place by the Registrar; and

(d) the opinion of the majority of the arbitrators shall prevail.

Proceedings  
before the  
arbitrator or  
arbitrators

73.—(1) The proceedings before the arbitrator or arbitrators shall, as nearly as possible, be conducted in the same way as proceedings before a Court of Law, and in particular the following provisions shall have effect in respect thereof—

(a) notice of the time and place at which the proceedings are to be held shall be given to the parties to the dispute, and such notice shall be a ten (10) days' notice;

(b) a record of the evidence adduced before the arbitrator or arbitrators shall be made, dated and signed by the arbitrator or arbitrators;

(c) documents produced as exhibits before the arbitrator or arbitrators shall be marked, dated and initialled by the arbitrator or arbitrators and shall be attached to the file of the proceedings; and

(d) in the absence of any party duly notified to attend, the dispute may be decided by the arbitrator or arbitrators *ex parte*.

(2) The award of the arbitrator or arbitrators shall—

(a) be in writing;

(b) be dated and signed by the arbitrator or arbitrators; and

(c) state the amount of the costs and expenses of the arbitration, if any, and by which party or parties to the dispute the same are to be paid.

(3) Upon the completion of the proceedings, the arbitrator or arbitrators shall forward to the Registrar—

(a) the file of the proceedings; and

(b) the award.

74. Where, in pursuance of section 48 (2) (a) of the Act the Registrar exercises the power of deciding a dispute himself, the proceedings before him in relation thereto shall, as nearly as possible, be conducted in the same way as proceedings before a Court of Law and rule 73 shall apply, *mutatis mutandis*, to such proceedings.

Proceedings  
before the  
Registrar

75. The fees specified in the Schedule shall be payable for the matters to which they relate.

Fees

76. Whenever it shall appear to the Registrar that the committee of a registered society is unable properly to discharge its duties under the Act, or is unable adequately to safeguard the property and business interests of its members, he may assume control of such society and may exercise all or any of the powers and perform all or any of the functions of the committee of such society as set out in rule 77 until such time as he is satisfied that such committee is able to resume proper control of such society.

Control of  
registered  
society by  
the Registrar

77. The Registrar, whenever he has, under rule 76 assumed the control of a registered society, may thereupon exercise all or any of the powers and perform all or any of the functions of the committee of such society conferred upon it by rules 32, 39, 40, 41, 53, 55 and 61, and such committee shall thereupon cease for the time being to be entitled to exercise such powers or perform such functions.

Powers of  
Registrar

78. Whenever the Registrar assumes control of a registered society under rule 76 he shall record such fact in writing and shall make a similar record when the control of such society is resumed by its committee.

Record

[Subsidiary]

*Remission of Stamp Duty*

Report

79. The Registrar shall render a report to the members of a registered society on his management of such society at the first available opportunity and at such times thereafter as are required by the Act.

Restriction of the taking of legal and other proceedings against the Registrar

80.—(1) No action, suit, or other legal proceedings whatsoever, whether civil or criminal, shall be instituted in any court, and no claim to compensation or indemnity shall be entertained by any court for or on account of or in respect of any act, matter or thing done, or purported to be done, in good faith by the Registrar under these Rules.

(2) Notwithstanding subrule (1), this rule shall not prevent the institution or prosecution of any proceedings, whether civil or criminal, by or on behalf of the Government or of the Registrar.

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SCHEDULE OF FEES

1. On registration of a society ... .. ten tambala

G.N.  
26/1964(M)

REMISSION OF STAMP DUTY

*under s. 54 (1) (a)*

Cap. 43.01

The Minister has, in the case of all societies registered under the Act, remitted the stamp duty shown in column 2 hereunder with which, under the Stamps Act, the instruments shown in column 1, being instruments executed by or on behalf of a registered society, or by an officer or member, and relating to the business of such society, are chargeable—

<i>Column 1</i>	<i>Column 2</i>
Receipts given for or upon payment of money amounting to K4 or upwards as follows—	
(a) receipts given to the Agricultural Development and Marketing Corporation in respect of money issued by the Corporation to a registered society for the purchase of a crop by such society;	} 2t
(b) receipts given to a market buyer appointed by a registered society for or on account of any money received from such buyer by an officer of such society	

**TRUSTEES INCORPORATION ACT**

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**TRUSTEES INCORPORATION**

**CHAPTER 5:03**

*Containing Pages 1-15*

*L.R.O.1/1968*

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## CHAPTER 5:03

## TRUSTEES INCORPORATION

## ARRANGEMENT OF SECTIONS

## SECTION

1. Short title
2. Interpretation
3. Upon application of trustees Minister may grant certificate of registration
4. Trusts not affected
5. Liability of trustees notwithstanding incorporation
6. Manner of vesting land
7. Vacancies in trustees
8. Name and change of name
9. Change in constitution
10. Contracts made by trustees
11. Gifts to charity before incorporation to have same effect afterwards
12. Registrar may strike off a defunct corporate body
13. Service of process and notices
14. Register
15. Rules
16. Transitional

**An Act to amend the Law Relating to the Incorporation of the Trustees of certain Charities and Associations**

5 of 1962  
G.N.22/1963  
219/1964(N)

[15th JUNE, 1962]

1. This Act may be cited as the Trustees Incorporation Act. Short title

2. In this Act, unless the context otherwise requires— Interpretation  
 "constitution" means the rules, regulations and documents, relating to the objects of a charity or association and regulating the affairs thereof, and the appointment of trustees or other officers thereof;

"Registrar" means the Registrar General;

"trustees" includes a sole trustee.

3.—(1) Trustees of any charity for religious, educational, literary, artistic, scientific or public charitable purposes or of any association of persons for any religious, educational, literary, artistic, scientific, social, athletic or charitable purpose or for any purpose which in the opinion of the Minister is for the benefit or welfare of the inhabitants of Malawi or any part thereof may apply in the prescribed manner to the Minister for a certificate of incorporation of the trustees of such charity or association as a corporate body. Upon application of trustees Minister may grant certificate of registration

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(2) If the Minister, having regard to the extent, nature and objects and other circumstances of the charity or association, shall consider such incorporation expedient he may grant such certificate.

(3) Upon the issue of a certificate under subsection (2), the trustees shall thereupon become a body corporate by the name described in the certificate and shall have perpetual succession and a common seal and power to sue and to be sued in such corporate name.

(4) Subject to this Act, such body corporate shall also have power to hold and acquire and, by instrument under its common seal, to convey, assign, transfer, mortgage, demise or otherwise deal with any property movable or immovable or any interest therein belonging to or held on trust for the charity or association in the like manner and subject to such restrictions and provisions as the trustees of the charity or association might without incorporation convey, assign, transfer, mortgage, demise or otherwise deal with such property or interest for the purposes of the charity or association.

(5) A certificate of incorporation so granted shall be conclusive evidence that all the requirements in respect of such incorporation have been complied with and the date of incorporation mentioned in such certificate shall be deemed to be the date at which incorporation has taken place.

Trusts not affected

4. Any property movable or immovable vested in, transferred to, held or acquired by the body corporate shall be held for the purposes of the charity or association and in such and the like manner as it was held by the trustees prior to incorporation, subject to this Act.

Liability of trustees notwithstanding incorporation

5. After a certificate of incorporation has been granted under this Act, all trustees of the charity or association, notwithstanding their incorporation, shall be chargeable for such property as shall come into their hands and shall be answerable and accountable for their own acts, receipts, neglects and defaults and for the due administration of the property of the charity or association, in the same manner and to the same extent as if no such incorporation had been effected.

Manner of vesting land

6.—(1) Any immovable property may be vested in a body corporate to which a certificate has been issued under section 3, in accordance with any other law relating to such matters or in accordance with this section.

Cap. 58:02

(2) Subject to section 17 (1) of the Deeds Registration Act, the certificate of incorporation or a copy thereof certified under the hand of the Registrar may be registered in the Deeds Registry provided that particulars of the immovable property intended to be affected are attached thereto.

(3) Upon registration of the certificate of incorporation in accordance with subsection (1), all immovable property of which particulars have been so attached, and which belonged to or was held by any person, immediately prior to the date of the certificate, in trust for the charity or association shall vest in such body corporate for such estate and interest, if any, as the person held immediately prior to registration, and all covenants and conditions relating to such land enforceable by or against the trustees thereof before registration shall be enforceable to the same extent and by the same means by or against the body corporate.

(4) Any person who shall make or permit to be made any transfer or payment *bona fide* in reliance on any instrument to which the common seal of any body corporate created under this Act is affixed shall be indemnified and protected in respect of such transfer or payment notwithstanding any defect or circumstances affecting the execution of the instrument.

7.—(1) Where a certificate of incorporation has been granted to the trustees of a charity or association, vacancies in the number of trustees thereof shall from time to time be filled as required by the constitution of the charity or association or by such legal means as would have been available for the appointment of new trustees thereof if no such certificate of incorporation had been granted; and the appointment of every new trustee shall be certified and registered in the prescribed manner and thereupon the new trustee shall be deemed to be incorporated for the purposes of this Act.

Vacancies in trustees

(2) Within one month after the expiration of each year after the grant of a certificate of incorporation, and whenever required by the Registrar, a return shall be made in the prescribed manner by the trustees of the charity or association of the names of the trustees thereof together with their addresses.

8.—(1) The name of every body corporate registered under this Act shall include the words “registered” and “trustees”.

Name and change of name

(2) Subject to subsection (1) such body corporate may with the written approval of the Registrar change its name.

(3) In any case where such body corporate is trustee for an association, a change of name shall also be effected in accordance with the constitution of that association.

(4) Where such body corporate changes its name the Registrar shall enter a new name on the register in place of the former name and shall issue a certificate of incorporation altered to meet the circumstances of the case.

(5) Change of name shall not affect any rights or obligations of the body corporate or render defective any legal proceedings by or against the body corporate, and any legal proceedings that

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might have been continued or commenced against it by its former name may be continued or commenced against it by its new name.

Change in  
constitution

**9.—(1)** In case any association, on whose behalf any property is held by a body corporate registered under this Act, desires to change its constitution in any manner described in subsection (3), it shall first submit, in the prescribed form, a draft of the proposed amendment for the approval of the Minister, who may, in his discretion, grant or withhold his approval.

(2) Every amendment of the constitution of an association approved by the Minister shall be registered in the prescribed manner.

(3) The amendments which require approval under subsection (1) are those which in any way affect the objects of the association, the appointment, retirement and authority of the trustees or other officers thereof, the authorization by the association of acts of the trustees thereof and the manner in which such authorization may be verified and the use of the common seal.

(4) The constitution of an association, particulars whereof are registered under this Act, shall, in favour of any person dealing with that body corporate, be deemed to be the constitution of that body corporate.

(5) In case any association to which this section applies alters its constitution in any manner not approved by the Minister, the Minister may by notice published in the *Gazette* revoke the certificate of incorporation granted to the trustees thereof, and thereupon all property vested in the body corporate shall vest in the trustees at that date of the association, but if there be no such trustee, in the officers of the association, upon such trusts and subject to such obligations as were binding upon the body corporate at the date of revocation.

Contract  
made by  
trustees

**10.** Every contract made or entered into by the trustees of a charity or association which would be valid and binding according to the constitution of the charity or association if no such incorporation had taken place under this Act shall be valid and binding although the same shall not have been made or entered into under the common seal of the trustees.

Gifts to  
charity  
before in-  
corporation  
to have  
same effect  
afterwards

**11.** After the incorporation of the trustees of any charity under this Act, every donation, gift and disposition of property movable or immovable, theretofore lawfully made (but not actually having taken effect), or thereafter lawfully made by deed, will, or otherwise to or in favour of such charity, or to trustees thereof, or otherwise for the purposes thereof, shall take effect as if the same had been made to or in favour of the incorporated body or otherwise for the like purposes.

**12.—**(1) Where the Registrar has reasonable cause to believe that any charity or association whose trustees are incorporated under this Act is no longer in operation, he shall send to each of the trustees by post a letter enquiring whether the charity or association is in operation.

Registrar  
may strike  
off a defunct  
corporate  
body

(2) If the Registrar does not within two months of sending the letter receive any answer thereto, he shall within fourteen days after the expiration of the period of two months send to each of the trustees by post a registered letter referring to the first letter and stating that no answer thereto has been received, and that if an answer is not received to the second letter within one month from the date thereof, a notice will be published in the *Gazette* with a view to striking the name of the body corporate off the register.

(3) If the Registrar either receives an answer to the effect that the association is not in operation or does not within one month after sending the second letter receive any answer, he may publish in the *Gazette*, and send to the trustees by post a notice that at the expiration of three months from the date of that notice, the name of the body corporate mentioned therein will, unless cause is shown to the contrary, be struck off the register.

(4) At the expiration of the time mentioned in the notice, the Registrar may, unless cause to the contrary is previously shown, strike the name of the body corporate off the register, and shall publish notice thereof in the *Gazette*, and on the publication in the *Gazette* of this notice, the body corporate shall be dissolved and the liability, if any, of every trustee shall continue and may be enforced as if the body corporate had not been dissolved.

(5) If an association or trustee thereof, or a trustee of a charity, or a creditor of the body corporate feels aggrieved by the body corporate having been struck off the register, the High Court, on the application of the person aggrieved, may, if satisfied that it is just that the body corporate be restored to the register, order the name of the body corporate to be restored to the register and thereupon the body corporate shall be deemed to have continued in existence as if its name had not been struck off, and the Court may give such directions and make such provisions as seem just in the matter.

**13.—**(1) Every body corporate registered under this Act shall register with the Registrar an address in Malawi at which service of process and notices may be effected.

Service of  
process and  
notices

(2) Trustees incorporated under this Act shall be deemed to be authorized to accept service of process and any notices required to be served on the body corporate.

(3) Any process, notice or other document may be served on a body corporate registered under this Act by leaving it at or send-

ing it by post to the address for service registered under this section.

Register  
14 of 1921

14. The Registrar shall compile and maintain a register of all bodies corporate incorporated under the Trustees Incorporation Ordinance (now repealed) and under this Act, and such register shall be open to public inspection in accordance with rules made under this Act and on payment of the prescribed fee.

Rules

15. The Minister may make rules—

(1) prescribing the number and forms of registers to be kept, the duties of the Registrar and other persons authorized to supervise any operation prescribed by this Act or rules made thereunder;

(2) prescribing the fees and fixing the charges to be made for any act, matter or thing under this Act, or rules made thereunder, to be done or observed, and penalties for failure to comply with such requirements, and for the remission of penalties;

(3) generally for carrying any of the purposes or provisions of this Act into effect.

Transitional  
14 of 1921

16.—(1) Every body corporate incorporated under the Trustees Incorporation Ordinance (now repealed) shall continue in existence as though it had been incorporated under this Act, and this Act and any rules made thereunder shall apply to every such body corporate, but no such body corporate shall be required to comply with section 8 (1) unless and until it is desired to change its name.

(2) The Minister shall have power to fix a date on or before which such body corporate is to register an address for service, and penalties for failure so to do.

(3) The Minister may approve the adoption by any such body corporate of a new common seal.

SUBSIDIARY LEGISLATION

TRUSTEES INCORPORATION RULES

G.N.87/1962

under s. 15

1.—(1) These Rules may be cited as the Trustees Incorporation Rules. Citation

(2) In these Rules references to sections are references to sections of the Act.

2.—(1) In the case of an application under section 3 by trustees of an association, the application shall be made to the Registrar and shall— Application by trustees

(a) be in Form A in the First Schedule;

(b) be accompanied by two copies of the constitution certified by the secretary or other principal officer of the association, and a copy so certified of the minutes of the meeting of the association at which the trustees were authorized to apply for incorporation.

(2) In the case of an application under section 3 by trustees of a charity, the application shall be made to the Registrar and shall—

(a) be in Form B in the First Schedule;

(b) be accompanied by the original of the will, deed or other instrument creating or regulating the charity or by a copy thereof certified by a trustee or authorized officer of the charity.

(3) Every application shall be accompanied by the device in quadruplicate of the proposed common seal and the prescribed fee.

(4) The signatures of the applicants and the statements in the application shall be verified by declaration before a legal practitioner, commissioner for oaths, mayor or District Commissioner or in such other manner as the Registrar shall require.

(5) Any person who knowingly and wilfully makes in such a declaration a statement false in a material particular shall be liable to a fine of £50 and to imprisonment for three months.

3. On receipt of an application, the Registrar shall examine the documents presented to him and shall report to the Minister whether— Registrar's report on application

(a) in his opinion the objects of the association or charity

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are limited to one or more of the objects specified in section 3;

(b) the constitution of the charity or association makes adequate provision for filling vacancies in the number of trustees and whether an adequate address for service has been furnished;

(c) the trustees of any association have been duly authorized by the association to apply for incorporation;

(d) limitations, and if so what, are placed by the constitution on the disposition of property by the proposed body corporate and what are the provisions regarding the custody and use of the common seal;

(e) the name proposed for the corporate body is identical with a registered business name or that by which a company or body corporate is already registered or so nearly resembles such name as to be calculated to deceive;

(f) in his opinion there is any, and if so what, objection to the application.

Incorporation

4.—(1) The certificate of incorporation issued by the Minister shall be in Form C in the First Schedule.

(2) The original certificate, together with a copy thereof certified by the Registrar, shall be issued to the body corporate and a further certified copy shall be retained by the Registrar.

(3) Securely attached to the original certificate and all copies thereof shall be a copy of the approved device for the common seal.

(4) Every body corporate incorporated or deemed to be incorporated under the Act shall have its name engraven in legible characters on its seal, and if any such body corporate fails to comply with this subrule, the body corporate shall be liable to a fine of £50 payable to the Registrar on demand:

Provided that in the cases provided for by section 16, the body corporate may continue to use a common seal which is not engraven until the expiration of a period of twelve months after the coming into operation of the Act or until the approval of a new device for its common seal, whichever shall first happen.

New trustee

5.—(1) The appointment of a new trustee shall be notified in writing to the Registrar within twenty-eight days after such appointment with particulars of the name and address of the trustee.

(2) Every such notification shall be accompanied by the original document (if any) effecting the appointment and informa-

tion regarding the death or retirement of any prior trustee, and the prescribed fee.

(3) The Registrar may require further evidence by statutory declaration or otherwise in verification of the facts notified and on being satisfied of the truth thereof shall make the necessary entries in the register maintained by him and shall return any document effecting the appointment which was presented to him.

6. The return to be made under section 7 (2) shall be in Form D in the First Schedule. Return of trustees

7.—(1) If any body corporate registered under the Act wishes to change its name, the application for that purpose shall be signed by all the trustees and shall be in Form E in the First Schedule and shall be accompanied by four copies of the device proposed for a new common seal, the prescribed fee, and, in the case of a body corporate which is trustee of an association, a copy, certified by the principal officer, of the resolution approving the proposed change of name. Change of name

(2) The certificate of incorporation issued by the Registrar under section 8 (4) shall be in Form F in the First Schedule.

8.—(1) The submission of proposed amendments to a constitution under section 9 shall be made in Form G in the First Schedule, and shall be accompanied by the prescribed fee. Change in constitution

(2) If a change is made in the constitution of an association, the trustees shall notify such change to the Registrar within twenty-eight days of it being made, and in case of default each trustee shall be liable to pay a penalty of £5 to the Registrar on demand.

(3) The certificate of registration of a change of constitution shall be in Form H in the First Schedule.

9. The particulars to be recorded in the register kept by the Registrar under section 14 shall be those specified in Form I in the First Schedule. Register

10. A body corporate incorporated under the Act may, on payment of the prescribed fee, change the address for service registered in respect of it under section 13 by applying to the Registrar, who shall notify the body corporate of the registration of the new address. Change of address for service

11. Within six months of the publication of these Rules, a body corporate incorporated under the Trustees Incorporation Ordinance (now repealed) shall register an address for service and failure so to do shall make each and every trustee liable to pay to the Registrar a penalty of £5 on demand. Transitional 14 of 1921

10 Cap. 5:03 Trustees Incorporation  
[Subsidiary] Trustees Incorporation Rules

Inspection 12.—(1) Subject to subrule (2), the register maintained under section 14 and the registered copy of the certificate of incorporation, the constitution, the registered addresses of the trustees and other registered documents shall be open to inspection by the public and any person shall be permitted to take copies of or extracts from any such document, and may require any such copy or extract to be certified under the hand of the Registrar.

(2) The rights conferred by subrule (1) shall be subject to payment of the prescribed fees.

Powers of Registrar 13. The Registrar shall have power—  
(a) to remit any penalty payable under these Rules;  
(b) to issue a duplicate of any document previously issued by him under these Rules, if he is satisfied that such document is lost or destroyed, and upon payment of the prescribed fee.

Fees 14. The fees set out in the Second Schedule shall be payable to the Registrar in respect of the several matters specified therein, and no other fees shall be payable.

FIRST SCHEDULE

r. 2 (1) FORM A

THE TRUSTEES INCORPORATION RULES

APPLICATION FOR INCORPORATION OF TRUSTEES OF AN ASSOCIATION

To: The Registrar.

WE HEREBY APPLY for incorporation and registration in accordance with the Trustees Incorporation Act of ourselves as a body corporate to be known as

We are the trustees of the an association whose objects are—

We enclose herewith—

(a) two copies of the constitution, certified by \* , and a copy of the minutes of the association at which we were authorized to apply for incorporation;

(b) the device in quadruplicate of the proposed common seal, together with two copies of the rules regulating the use and custody of the seal.†

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The address for service under section 13 will be—

We consent to continue to act after incorporation as trustees in accordance with the Act.

PARTICULARS OF TRUSTEES

<i>Full Name</i>	<i>Address</i>	<i>Occupation</i>	<i>Signature</i>
1.			
2.			
3.			
4.			
5.			
6.			

\* Here insert name and office of the secretary or other principal officer of the association concerned.

† These rules must not be separately supplied if included in the constitution.

FORM B

r. 2 (2)

THE TRUSTEES INCORPORATION RULES

APPLICATION FOR INCORPORATION OF TRUSTEES OF A CHARITY

To: The Registrar.

WE HEREBY APPLY for incorporation and registration in accordance with the Trustees Incorporation Act of ourselves as a body corporate to be known as

We are the trustees of the \_\_\_\_\_, a charity formed on the \_\_\_\_\_ day of \_\_\_\_\_ and of which the objects are—

We enclose herewith—

(a) \* the original will, deed or other instruments creating or regulating the charity \*a copy of the original will, deed or other instrument creating or regulating the charity certified by a trustee or authorized officer of the charity;

(b) the device in quadruplicate of the proposed common seal, together with two copies of the rules regulating the use and custody of the seal.

The address for service under section 13 will be—

We consent to continue to act after incorporation as trustees in accordance with the Act.



- 3. Has any change been made in the name since the date of the last return? .....
- 4. (In the case of trustees of an association). Has any change been made in the constitution since the date of the last return? .....

TRUSTEES:

\_\_\_\_\_

FORM E

r. 7(1)

THE TRUSTEES INCORPORATION RULES

APPLICATION FOR CHANGE OF NAME

To: The Registrar.

WE, the trustees incorporated by the abovenamed, HEREBY APPLY for the name of the incorporated body to be changed from \_\_\_\_\_ to \_\_\_\_\_ and for the name in the Register to be altered accordingly.

We enclose four copies of the proposed device of the new common seal.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_

TRUSTEES:

\_\_\_\_\_

FORM F

r. 7(2)

THE TRUSTEES INCORPORATION RULES

CERTIFICATE OF INCORPORATION

I HEREBY CERTIFY that the \_\_\_\_\_ was incorporated on the \_\_\_\_\_ day of \_\_\_\_\_, 19 \_\_\_\_\_, under the Trustees Incorporation Act and that the name of \_\_\_\_\_ was changed to \_\_\_\_\_ under the Trustees Incorporation Act, and the new device of the common seal attached hereto is approved.

Given under my hand at \_\_\_\_\_ this \_\_\_\_\_ day of 19 \_\_\_\_\_

Registrar

\_\_\_\_\_

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14 Cap. 5:03 *Trustees Incorporation*

[Subsidiary] *Trustees Incorporation Rules*

r. 8(1) *FORM G*

THE TRUSTEES INCORPORATION RULES

NOTICE OF PROPOSED ALTERATION OF CONSTITUTION

To: The Registrar.

Notice is hereby given that it is proposed that the constitution of the \_\_\_\_\_ be amended.

Two copies of the proposed amendment(s) are enclosed herewith. It is proposed that the rule(s) set out in Column 1 hereof be altered to read as in Column 2 hereof.

Column 1 Column 2

TRUSTEES:

r. 8(2) *FORM H*

THE TRUSTEES INCORPORATION RULES

CERTIFICATE OF REGISTRATION OF CHANGE OF CONSTITUTION

It is HEREBY CERTIFIED that the rules of the constitution of the \_\_\_\_\_

as set out in Column 1 have been changed as set out in Column 2.

Column 1 Column 2

and that such change has been registered by me pursuant to the Trustees Incorporation Act.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_  
*Registrar*

r. 9 *FORM I*

THE TRUSTEES INCORPORATION RULES

REGISTER OF BODIES CORPORATE

1. Registered name of body corporate.
2. Registered address.
3. Date of incorporation.
4. Number of certificate of incorporation.
5. Date(s) of alteration of constitution.
6. Date of striking off.
7. Reasons for striking off.
8. Particulars of publication of striking off in official *Gazette*.

TRUSTEES

<i>Name</i>	<i>Address</i>	<i>Occupation</i>	<i>Date of Appointment</i>	<i>Date of Retirement, etc.</i>
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## SECOND SCHEDULE

r. 14

<i>Matter</i>	<i>Fee</i>
	£   s   d
1. On application for incorporation, including certificate of incorporation ... ..	2   0   0
2. On notification of change of trustee, or registration of new address for service ... ..	5   0
3. On application for approval of change of name or constitution, including registration of change or issue of new certificate of incorporation, as the case may be ... ..	1   0   0
4. On inspection of the register or other registered documents ... ..	2   6
5. For taking a copy or extract of any document (in addition to inspection fee) ... ..	5   0
6. For certification of any copy or extract taken:	
(i) Minimum ... ..	10   0
(ii) For every 100 words or part thereof after the first 500 words ... ..	1   0
7. For a copy of any document previously issued:	
(i) Minimum ... ..	10   0
(ii) For every 100 words or part thereof after the first 200 words ... ..	1   6

**SMALLHOLDER AGRICULTURAL CREDIT ADMINISTRATION  
FARMERS' CLUB TRAINING MANUAL**

MINISTRY OF AGRICULTURE

SMALLHOLDER AGRICULTURAL CREDIT ADMINISTRATION

FARMERS' CLUB TRAINING MANUAL

FIRST EDITION - SEPTEMBER 1991

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## FARMERS' CLUB TRAINING MANUAL

### Introduction

Although most smallholder farmers work hard in their fields their productivity is often low because they do not have the money to buy the crop inputs they need to enable them to raise yields and increase production. Therefore Government, with the assistance of certain donors, makes available funds to help those farmers who do not have the resources to purchase essential farm inputs.

In the past these funds were provided through various projects which dealt with specific areas. This meant that some areas had more than enough funds while others had none.

In an effort to address this problem Government set up the Smallholder Agricultural Credit Administration (SACA) whose functions are, amongst others, to -

- a) pool all the separate credit funds into a single Central Credit Fund so that the resources are more evenly divided over the country,
- b) make credit available to more small farmers, especially women farmers and those who lack funds of their own to buy essential farm inputs,
- c) develop policies and systems that will enable the credit system to operate in an efficient and cost effective manner,
- d) train borrowers in all aspects relating to the credit system so that they can make the best use of the credit they receive and repay their loans in full.

SACA has adopted a number of strategies to help in implementing these objectives and one of the more important ones is to ensure that local leaders, club committee members and the club members themselves are fully conversant with how the credit system works, why it is necessary to repay the loans, how to establish cohesive clubs and how to maintain the type of records that will help to ensure the loans are used for the correct purposes and repaid. This is done through in-the-field training programmes and this manual has been developed to assist field staff to conduct these training sessions.

Before starting to provide specific training to the local leaders and club officials as detailed later in this manual, it is important that all the participants are given instruction on how the credit system works and what SACA is trying to achieve. It is therefore important that they are briefed on the following general aspects relating to the credit system.

## MODULE 1

### 1.0 TOPIC : GENERAL FEATURES OF THE CREDIT SYSTEM

#### 1.1 Objective

By the end of this module the course participants should have some knowledge of the general features of the credit system and how these affect them as borrowers.

#### 1.2 Outline

##### i) Types of Loans

Loans are provided for a wide range of capital items but the policy is to only issue loans when it is felt that the beneficiary will benefit from the loan and be able to repay it in full according to the agreed terms.

Three types of loans are issued:-

- a) seasonal loans for the purchase of crop inputs such as fertilizer, seed and chemicals. These loans are repayable at the end of the season once the crops have been sold,
- b) livestock loans to enable a smallholder farmer to purchase livestock and the inputs needed for livestock fattening projects,
- c) medium term loans which are extended for the purchase of a range of implements, capital items and animals and are repayable over a number of years depending on the type of loan and expected life of the item involved.

All credit is currently provided in kind.

##### ii) Loan Size

Currently seasonal or short term loans for individual members of a farmers club or individual borrowers are limited to K1,500. Medium term loans are restricted to a maximum of K5,000 per borrower.

##### iii) Beneficiaries

Credit is provided to members of the smallholder sub-sector who are those farmers who use land held under the customary land tenure system or settlement schemes.

##### iv) Farmers' Clubs

Due to the difficulty and expense of dealing with a

very large number of small loans SACA issues credit mainly through farmers' clubs.

These clubs are set up by the local people themselves and are trained in the technical aspects of production by the Field Assistants. Once a club has been established for some time, has demonstrated that it can work as a cohesive unit and wishes to take out a loan the credit staff should be called in to provide training in matters specifically related to credit such as :-

- loan application procedures,
- maintaining records of funds received and loans issued,
- savings mobilization.

But advice will also be given on more general matters such as:-

- club formation
- club discipline
- club constitutions etc.

When the credit staff are satisfied that the club is capable of receiving, handling and repaying any loans that it gets then the club will be invited to submit a loan application.

v) Selection of Club Members

All club members are responsible for selecting which farmers should join their club. The character and ability of the prospective member to repay the loan should be given top priority when selecting the membership.

vi) Acceptance of a Club for Credit

The extension and credit staff will decide whether a club or individual member is eligible for credit. This decision will be based upon :-

- a) character, integrity and past record - for a club or individual to qualify the people concerned should be trustworthy and have a clean record of repayment.
- b) Organisation - the club should be cohesive well organised and have an acceptable constitution.
- c) Willingness to follow instructions - the clubs should be willing to follow all the recommended practices and instructions given to them by the credit and extension staff.

- d) Membership - the club should have 10 but not more than 100 members. Village headmen will be required to certify that the club's members are residents of their village.

vii) Womens' participation in Credit

With the growing awareness of the important role which women play in agricultural development more emphasis is being placed on womens' involvement in agricultural credit programmes. This is achieved by:-

- a) encouraging women to participate in credit programmes as independent borrowers in their own right or as members of a family by encouraging them to become members of existing clubs, attend meetings and take part in discussion at those meetings,
- b) permitting women to take up credit through purely womens' clubs as heads of households, as wives of husbands who are not working on their farms, or as wives of polygamous husbands,
- c) increasing womens' borrowers' participation in credit management training.

viii) Formulation of credit packages

Credit packages are formulated by the Department of Agriculture's Adaptive Research Unit in consultation with the Department of Extension. The packages are designed to give the best results at the lowest cost and to assist farmers to select the inputs that will give them a profit.

ix) Estimates of input requirement

A farmers' club should estimate the input requirement each year for its members well in advance of the cropping season and these requirements should be given to the field assistant or forwarding to the credit assistant. The decisions as to what quantities of inputs should be provided to a club will be based on the repayment record of the club, the types of the packages requested and the level of funding available to the credit institution.

x) Interest Rates

The smallholder credit system's current interest rates for seasonal credit are 12% to clubs and 20% to in-

dividual borrowers.

The interest rate on medium term loans is currently 15% per annum to all borrowers.

xi) Moratoriums

When a borrower suffers from a natural disaster and fails to repay his loan due to factors beyond his control a moratorium may be considered. A moratorium means that repayment of the outstanding portion of the loan will be rescheduled over a maximum of three years and no surcharge will be charged on this balance.

xii) Repayment of loans

Borrowers should be made aware that they are obliged to repay their loans and that all members of a club are responsible for the debts of the club as a whole and if one or more members default then the other members must either ensure that the defaulters repay their loans or else repay the loan on behalf of the defaulter.

When a club fails to repay its loan no further credit will be extended until the balance is repaid.

In addition the borrower may be taken to court in order to recover the loan by legal means.

In the case of medium term loans, when borrowers fail to comply with their repayment schedules the items may be repossessed together with any other items that were listed as security on the bill of sale.

1.3 Task

- i) Divide the participants into two groups.
- ii) Each group should list the general features which were described in 1.3 above.
- iii) Both groups should then discuss each aspect in detail and explain what is involved.
- iv) The groups should then report to the class on what they have done.
- v) the participants should finally agree on what they have learned about the credit system and how they will use what they have learned to improve their productivity.

## MODULE 2

### 2.0 TOPIC : FARMERS' CLUB

#### 2.1 Objective:

By the end of this module, leaders should be able to -

- i) define a farmer's club,
- ii) know why a farmer's club is formed,
- iii) form a farmer's club,
- iv) differentiate between a farmers' club and other groups.

#### 2.2 Outline

A farmer's club is a group of individuals having the same objectives who have agreed to cooperate and work together for their mutual benefit. The club will operate under one name with a constitution formulated and agreed by the members themselves and designed to promote their agricultural development activities.

#### 2.3 Formation of a farmers' club

- i) Farmers interested in forming a farmers' club should consult their Field Assistant,
- ii) the Field Assistant should liaise with the relevant local leaders i.e. Village Headmen, ward councillors, M.C.P. officials etc.,
- iii) the Field Assistant should explain the duties and responsibilities of office bearers before elections are conducted.

Local leaders, in conjunction with the Field Assistant, should convene a meeting of all farmers concerned, and conduct elections of office bearers.

#### 2.4 Requirements for Farmers' Club formation

An effective farmers' club should have the following:

- i) a main committee to run the club's activities,
- ii) a club constitution,
- iii) a savings bank account with a commercial bank or the Post Office Savings Bank,
- iv) books of account for record keeping.

#### 2.5 Reasons for the formation of farmers' clubs

Farmers' clubs are formed in order to:-

- i) share knowledge about their agricultural development and other activities,
- ii) facilitate easy communication with the extension staff through the group approach,
- iii) ensure timely agricultural operations,

- iv) help one another to solve various problems such as sickness, failure to repay loans, payments of school fees etc.,
- v) a farmers' club should ultimately aim at becoming a self sustaining organization that is able to lend funds from its own savings to its members, organize the purchase of inputs or the selling of produce for the group as a whole and so on.

### 1.6 Differences Between Farmers' Club And Other Groups

Other groups do not have the following:

- i) a constitution,
- ii) a savings bank account,
- iii) a club house,
- iv) most other less cohesive groups usually disintegrate and have difficulty in achieving their objectives.

## MODULE 3

### 3.0 TOPIC: QUALITIES OF A GOOD LEADER:

#### 3.1 Objectives:

By the end of this module leaders should know the qualities required of a good leader.

#### 3.2 Outline

A leader is defined as a person who is elected by the people to lead and guide them in various activities. Listed below are some of the qualities that people should look for in a good leader or a potential candidate for the post of club official.

The sort of basic qualities that the club office bearers require are :-

#### i) Chairman:

- a) good behaviour,
- b) a fluent speaker,
- c) cheerful and patient,
- d) hard working and interested in development activities,
- e) active at work,
- f) commands respect but is not pompous,
- g) is able to read and write,
- h) must be exemplary.

#### ii) Secretary :

- a) know how to read and write,
- b) be of good behaviour,
- c) disciplined,

- d) dedicated and interested in development activities,
- e) active.

iii) Treasurer :

- a) know how to read and write,
- b) trustworthy,
- c) have some knowledge of arithmetic,
- d) disciplined,
- e) cheerful and dedicated.

NOTE: Their deputies should have similar qualities to those listed above.

iv) Committee Members:

- a) good behaviour
- b) able to contribute to discussions constructively,
- c) disciplined,
- d) dedicated and interested in development work,
- e) active and cooperative,
- f) ready to serve others and accept responsibility.

MODULE 4

4..0 TOPIC : ELECTION OF LEADERS AND FORMATION OF CLUB CONSTITUTIONS

4.1 Objectives:

By the end of this module, leaders should know about :-

- i) a club constitution
- ii) formulation of a constitution,
- iii) election procedures

4.2 Outline

Only farmers' club members should be elected to the committee by the members of the club who should also be responsible for developing the club's constitution.

i) Definition of a constitution :

A constitution is a document which gives the rules and guidelines on how to run an organisation.

ii) Development of a club constitution

All members must be present when developing a club constitution. Some of the points that need to be taken into account when developing a constitution are :-

- a) a club entrance/membership fee,
- b) the size of the club and its main committee,
- c) what committees and sub-committees are needed, for example the following sub-committees may be suggested :-

finance and audit,  
 crop/livestock inspection and loan servicing,  
 disciplinary,  
 entertainment,

- d) term of office of the office bearers,
- e) criteria for selection of club members,
- f) loan disbursement and repayment procedures,
- g) establishment of club garden, house and club funds.

iii) Election Procedure:

- a) a meeting of all the individuals who make up the club should be convened,
- b) the village Headman and M.C.P. leaders should conduct the meeting,
- c) the Village Headman and M.C.P. Chairman should state the aim of the meeting,
- e) the Field Assistant should advise the leaders on how to form a club committee,
- f) having explained the purpose of the meeting the elections should be conducted freely and the leaders should be elected on the basis of the qualities of a good leader.
- g) Three names should be proposed for each position. Voting should be based on one person one vote, and the person who gets the highest number of votes wins the position. It is recommended that the election should be done by secret ballot.
- h) Those elected should be introduced to the group.
- i) The elected chairman should propose the date and venue for the first meeting.

4.3 TASK: To teach the participants what qualities to look for in a leader and how to establish a viable club.

- i) divide the participants into two groups,
- ii) each group should go through the procedure of forming a club and giving it a name,
- iii) each group should elect the following leaders :-

Chairman and Vice Chairman,  
 Secretary and Vice Secretary,  
 Treasurer and Vice Treasurer,  
 committee members

- iv) each group should formulate a club constitution,

- v) each group should report on what it has done,
- vi) participants should agree on what they have learnt,
- vii) finally, participants should agree on a "back home plan".

#### MODULE 5

### **5.0 TOPIC: DUTIES AND RESPONSIBILITIES OF OFFICE BEARERS:**

#### **5.1 Objectives :**

By the end of this module, leaders should know the duties and responsibilities of the:-

- i) Chairman,
- ii) Secretary,
- iii) Treasurer,
- iv) committee members

and each leader should be able to demonstrate how his job should be done.

#### **5.2. Outline:**

It is important that each leader should restrict himself to his duties and responsibilities only.

#### **Duties and responsibilities of club leaders**

- i) Chairman : the Chairman's duties are to :-
  - a) to convene meetings as stipulated in the club constitution,
  - b) instil club discipline with the assistance of the disciplinary committee,
  - c) approve the agenda for each meeting,
  - d) be exemplary and active,
  - e) delegate duties to his vice when necessary,
  - f) be able to solve emergency problems,
  - g) solicit general consensus amongst the membership,
  - h) propose invitations for other speakers to their sessions,

- b) formulation of an agenda,
- b) keep records of all members by name and club activities,
- c) take minutes of the meeting and maintain a record of all meetings,
- d) read a summary of what the meeting has agreed upon,
- e) inform the chairman of issues affecting members,
- f) handle all club correspondence,
- g) ensure that members understand the objectives of the club,
- h) play an advisory role to the Chairman,
- i) keep the club's/members' confidential matters,
- j) conduct introductions whenever there are visitors at the meeting.

iii) Treasurer The treasurer is required to:-

- a) maintain and secure club funds and accounts,
- b) inform club members of the club's financial position and answer any questions concerning the club's finances
- c) ensure that the club's assets are used for the intended purpose,
- d) cooperate with the finance and audit sub-committee when it audits his books and answer any questions arising thereon,
- e) alert the club in advance of any unfavourable developments in its finances,
- f) present an up-to-date financial report at all meetings,
- g) ensure that a club has a savings account with the Post Office or a commercial bank,
- g) ensure that the club has chosen three signatories to sign withdrawal slips when withdrawing money from the club's savings,
- h) ensure that withdrawals are done only as and when authorized by the club's members,
- i) ensure proper hand over of responsibilities, cash and books of accounts to the new treasurer when relinquishing his duties.

iv) Committee Member: The committee members' tasks are to:-

- a) examine and contribute constructive ideas at meetings,
- c) assist in sorting out club matters,
- d) ensure that members abide by the club constitution,
- e) accept any duties or responsibility that may be assigned to them by the committee,
- f) exemplify good leadership,

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- g) maintain discipline within the club.

5.3 **TASK :** Demonstrate Office Bearers' Duties and responsibilities

- i) divide those present into two sub-groups,
- ii) each sub-group should prepare for a meeting of club members and hold a meeting to discuss the following agenda,
  - a) introductions,
  - b) construction of a club house,
  - c) cultivating a club garden,
  - d) any other business (AOB).
- iv) Each sub-group should report to the session.
- v) When each group has made its presentation, the session should discuss it.
- vi) Members should agree on what they have learnt.
- vii) Members should draw up a "back home plan".

MODULE 6.

6.0 **TOPIC:** LOAN APPLICATION AND DISBURSEMENT OF INPUTS.

6.1 Objective

By the end of this module club leaders should be able to apply for a loan, allocate individual loans to each member, procure farm inputs from the supplier and distribute these to fellow members.

6.2 Outline

Club leaders should know how to obtain a loan from the Government and distribute it to its members.

- i) Loan applications : When farmers' clubs apply for a loan they will use the seasonal Loan Application form (CF 23) or the Medium Term Loan Application form (CF 41). The following procedure will be adopted when applying for a loan:-
  - a) club members, with the assistance of the Field Assistant, should agree on the type and quantities of inputs they would like to obtain according to the recommended packages,
  - b) the club chairman will express the club's need for credit to the Field Assistant who will in turn give them an application form which requests for the following information:-
    - name of the club,
    - total membership of the club,

- quantities required by each member according to their holding size and as agreed by the Field Assistant,
- the signature of seven members of the executive committee,
- a list of the names of members and their inputs requirements,
- the signature of the Chairman,
- the signature of the Village Headman who signs as a witness.

ii) Receipt of inputs : Inputs are purchased by the credit Assistant on behalf of the borrowers with Authorization Forms ("A" Form) (CF 27). When receiving the inputs the Chairman should ensure that :-

- a) all inputs requested by members have been put on the "A" Forms,
- b) he signs on behalf of the club,
- c) the Village Headman signs the "A" Form as a witness,
- d) the Credit and Marketing Assistant signs on behalf of the Government,
- e) finally, the Development Officer counter signs the form.

The Credit Assistant will then present the completed "A" Form to the supplier for the inputs. Club leaders should ensure that one copy of the "A" Form is kept by them as a record.

iii) Distribution of inputs : Club officials use the Requisition/Promissory Form (CF 26) when distributing the inputs to individual club members. The following procedures are adopted :-

- a) the Promissory Form will include the name of the borrower, type of inputs and the value of the loan given to each member,
- b) individual members should sign against their names at the time of collection and delegation of this duty should not be allowed,
- c) the chairman will finally sign to certify that club members have received the inputs as issued,
- d) the Village Headman will sign as a witness for the club,
- e) the Field Assistant responsible for the club must sign also,
- f) the club secretary should keep a copy of the Promissory Form as a record.

0.4 TASK: Demonstrate how to apply for a loan, receive inputs and issue them to the members

- i) Applying for a loan Participants should be formed into two "farmers clubs". Each "farmers club" should discuss their input requirements and then fill in a Loan Application Form (CF 23) including :-
- a) name of the club,
  - b) the number of members,
  - c) the name of all members,
  - d) the quantity and type of inputs requested by each member,
  - e) the "Chairman" and "Village Headman" should sign the form,
  - f) each club should then report to the whole group,
  - g) the whole group should discuss the presentation.
- ii) Issuing input items to club members - The same groups as formed earlier should then fill in a Promissory Form CF as follows :-
- a) the "Secretary" and the "Treasurer" should list the names of all members on the Promissory Form as well as the types of inputs and amounts issued to each member,
  - b) each "member" must sign against his/her name,
  - c) the "Chairman" should certify what each member has signed for,
  - d) the "Village Headman" should witness the signatures,
  - e) the Field Assistant for the club should also sign the Promissory Form.
- iii) The whole group should then discuss the presentation.
- iv) Finally, the members must agree what they will do back home.

## MODULE 7

### 7.0 TOPIC: RECORD KEEPING:

#### 7.1 Objective:

By the end of this module participants will be able to keep and maintain adequate records for the club.

#### 7.2 Outline

It is important that a club should have good record books in which to keep a record of all money, goods received and other financial transactions. The following types of records should be kept :-

- i) Receipts Ledger : This is a ledger in which the

Treasurer should enter farmers' club fees and repayments. Each group's "treasurer" should record:-

- a) the name of each member,
- b) the amount paid by each member,
- c) the total amount paid.

EXAMPLE 1

RECEIPTS LEDGER

Name of member	Receipt No.	Village	T/A	Amount paid K	Signature of borrower
Balance B/F				20.00	
Singano	0031	Changunda	Changata	5.00	
Nawata	0032	Changunda	Changata	5.00	
Ntaja	0152	Changunda	Changata	5.00	
TOTAL				35.00	

ii) Receipts and Expenditure Ledger The Treasurer should maintain a record of all money received and spent on behalf of the club in the Receipts/ Expenditure Ledger as follows :-

- a) date cash received or spent,
- b) receipt number,
- c) source of funds or purpose of expenditure,
- d) amount received or spent,
- e) cash balance after cash received or spent,

EXAMPLE 2

RECEIPTS AND EXPENDITURE LEDGER

Date	Receipt No.	Source / Purpose	Income	Expenses	Balance
13/9/89		Brought forward	18.00		18.00
14/9/89	0039	Stationary		2.00	16.00
2/10/89	0762	Stationary		4.00	12.00
10/10/89	11765	Fertilizer		12.00	Nil
19/10/89	78560	Sale of maize	78.60		78.60
10/11/89		Entertainment		40.00	38.60
20/11/89		Entry fees	48.00		86.60
Carried forward					86.60

iii) Receipt Book Every club must have a proper receipt book obtained from a bookshop or printer. Whenever a treasurer receives a payment from a member he must issue a receipt from the clubs official receipt book. The receipt must be completed as follows :-

- a) Total amount brought forward,
- b) date of the payment,
- c) amount paid,
- d) balance remaining.

EXAMPLE 3

A TYPICAL RECEIPT

Receipt No.....  
 Date.....Club name.....

PAYMENT OF SMALLHOLDER AGRICULTURAL LOAN

Received the sum of.....Kwacha  
 and .....Tambala                      K.....T.....

From.....A/C No.

Received by.....	Designation.....
	K              T
	TOTAL LOAN .....
	PAID TO DATE.....
	BALANCE              =====

iv) Borrowers' Ledger The Treasurer must maintain a Borrowers' Ledger in which he keeps a record of each member's loan account. The following details are recorded :-

- a) the member's particulars including his account number,
- b) the total amount loaned and the season for which it was issued,
- c) the number of the receipt and the date it was issued,
- e) the amount paid
- f) the balance remaining.

EXAMPLE 4

BORROWERS' LEDGER  
(Loan fully paid)

Name of club member.....Season.....  
 Account No.....Total loan K 83.44  
 T/A.....Village.....

Date	Loan issued	Receipt No.	Amount	Balance
16/10/88	60.00			60.00
30/11/88	23.44			83.44
4/6/89		00 21	20.00	63.44
6/7/89		00 98	60.00	3.44
24/7/89		00 99	3.44	NIL
				=====

iii) General Ledger Finally the Treasurer will maintain a General ledger in which details of the clubs loans and repayment performance will be kept. The information kept in this ledger is as follows :-

- a) details of the club,
- b) total loan issued, the date of the loan and the season to which it applies,
- c) amount repaid and date of repayment,
- d) previous recoveries and total recoveries to date,
- e) balance remaining.

EXAMPLE 5

GENERAL LEDGER  
(Loan fully repaid)

Club name..... credit season.....

Amount loaned K 3,575.00

Date paid	loan issued	Amount paid	Previous recovery	Total recovered	Balance
16/10/88	2,000.00				2,000.00
30/11/88	1,575.00				3,575.00

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6/6/89	1,000.00	nil	1,000.00	2,575.00
9/6/89	1,000.00	1,000.00	2,000.00	1,575.00
15/7/89	575.00	2,000.00	2,575.00	1,000.00
19/8/89	1,000.00	2,575.00	3,575.00	nil

When a club has been unable to repay its loan in full by the due date - 1st December, in the case of seasonal loans - then the balance will attract a surcharge at the current rate of interest. An example of the ledger in this case is given below.

EXAMPLE 6

GENERAL LEDGER

(Loan not fully repaid)

Amount loaned K 3,575.00

Date paid	loan issued	Amount paid	Previous recovery	Total recovered	Balance
16/10/88	2,000.00				2,000.00
30/11/88	1,575.00				3,750.00
6/6/89		1,000.00	nil	1,000.00	2,575.00
9/6/89		1,000.00	1,000.00	2,000.00	1,575.00
15/7/89		575.00	2,000.00	2,575.00	1,000.00
1/12/89		ADD 12% Surcharge			120.00
		Loan carried forward			1,120.00
2/6/90		1,000.00	2,575.00	3,575.00	120.00
11/6/90		100.00	3,575.00	3,675.00	100.00
10/7/90		20.00	3,657.00	3,695.00	NIL

**7.5 TASK** To demonstrate how to keep the various books and ledgers that are needed by the clubs

- i) Divide the participants into two groups,
- ii) make each group assume that it is a farmers' club,
- iii) get each group to make the relevant entries into the following books and ledgers;

- a) enter payment received for membership fees into a receipts ledger,
- b) enter a payment made on behalf of a club into the club's Receipts and Expenditure ledger,
- c) issue a receipt for a loan repayment made to a treasurer,
- d) open a new borrower's ledger and enter a number of payments assuming that the loan is repaid in full,
- e) open a new Borrowers' Ledger and enter a number of repayments assuming that the club only partly repaid its loan,
- f) open a club's General Ledger and enter a number of Payments assuming that in the first year the club did not repay its loan in full but in the second year it did,
- iv) make the group report on its work to the class,
- v) finally, the participants should discuss their reports in a large group and agree on what to put into practice when they go back home.

#### MODULE 8

### 8.0 TOPIC      MANAGEMENT OF AGRICULTURAL LOANS

8.1 Objective:      By the end of the module the leaders should be able to state :-

- i) how loans are processed,
- ii) how to take care of farm inputs bought on credit,
- iii) how to ensure that the right inputs are used at the right time for the correct purpose,
- iv) why loans should be repaid early.

### 8.2 Outline      Credit policies and procedures

Government provides credit to farmers so that they can purchase input items that will enable them to follow recommended cultural practices which will allow them to improve their production and profitability. The following policies apply to the provision of credit:-

- i) borrowers are not permitted to dispose of any items obtained on credit without prior authority from the lending agency,
- ii) the borrowers should know that in the event of a loss through a natural hazard, the Credit Officer in their area should be informed with minimum delay,
- iii) it should be noted that all items bought on credit remain the property of Government until such time as the loan is repaid in full,
- iv) a surcharge will be levied on all loans which are not

paid in full by the due date for each type of loan.

For example, summer loans have to be repaid by 1st December, winter loans by 1st March and medium term loans one year after they were issued.

### 8.3 Proper care of items issued on credit

- i) leaders should ensure that all items obtained on credit are properly taken care of,
- ii) all borrowers with equipment purchased with medium term loans such as ploughs, ridgers, carts, sprayers, etc. should regularly service them and store them properly,
- iii) all agrochemicals should be stored in a safe place in order to avoid contamination and accidental poisoning of people and livestock,
- iv) livestock farmers should ensure that their animals are properly fed and well cared for. Dairy farmers should dip their animals regularly.

### 8.4 How to use items purchased on credit

- i) club leaders should ensure that farm inputs obtained on credit have been used for the right purpose,
- ii) club leaders should check for misuse or illegal disposal of items purchased with credit,
- iii) farmers should advise each other as much as possible on the correct use of loaned items,
- iv) club leaders should periodically inspect gardens belonging to their members to ensure that proper care is being taken of both crops and livestock to ensure profitability and easy credit repayment.

### 8.5 Credit repayments

- i) club leaders should encourage their members to repay their loans early,
- ii) for easy and orderly repayment leaders should organize their members to sell their farm produce together and in an amount equivalent to their loan value,
- iii) all money paid by the members should be properly receipted and recorded and simple books of account maintained by the Treasurer.

## MODULE 9

### 9.0 Topic : PROBLEMS EXPERIENCED BY FARMERS' CLUBS AND THEIR SOLUTIONS

#### 9.1 Objective:

By the end of this module club leaders will be able to :

- i) Identify problems experienced by farmers clubs, formulate possible solutions to these problems.

## 9.2 OUTLINE

Many clubs fail to achieve their objectives while others have actually collapsed for a number of different reasons. In this module the club leaders should learn to identify the problems that affect clubs and develop possible solutions to these problems.

- 9.3. i) The participants should be formed into four small groups,
  - ii) Each group should discuss the following matters:
    - a) Problems experienced in farmers clubs,
    - b) Possible solutions to these problems,
  - iii) each small group should report to and discuss its findings with the main group,
  - iv) Participants should agree on what they have learned from the module,
  - v) finally, they should agree on how the knowledge gained can be applied back home (back home plan).

## MODULE 10

### 10.0 TOPIC: REPAYMENT OF LOANS AND SAVINGS MOBILIZATION

#### 10.1 Objective:

By the end of this module the participants should understand why it is important for borrowers to repay their loans early and in full and how clubs and their members can benefit from mobilizing their savings.

#### 10.2 OUTLINE

- i) Source of funds. The credit which is provided to smallholder farmers form part of a revolving fund which has been built up from.
  - a) Funds borrowed by the Government of Malawi from a Number of donors,
  - b) Direct contributions from the exchequer,
  - c) Income generated through the credit activities of the credit system itself.
- ii) Farmers loans. Loans are provided from these funds to creditworthy borrowers for the purchase of inputs for their seasonal farming activities or as medium term loans for the purchase of livestock and items of a capital nature. Creditworthy farmers are those who are able to benefit from the credit and repay their loans when due.

- iii) Recoveries. Recoveries from the loans which are issued to borrowers together with any new capital injections and income generated from the lending activities are available for lending again to the same or other borrowers in future years. Unless recovery rates are high the credit system's capital base will be eroded and less money will be available for future lending.
- iv) Interest. The interest which is charged on the loans is used to :-
- a) cover the cost of running the institution,
  - b) generate additional funds (profits) in order to expand future lending,
  - c) cover any losses incurred due to default and bad debts,
  - d) cover the cost of inflation, because as the cost of input items goes up more funds are needed to purchase the same amount of inputs.

It should be emphasized that the credit fund are scarce not inexhaustible and if the borrowers do not repay their loans the fund will be depleted thereby reducing the number of loans that can be extended in the next season. Government cannot continue to bear losses to the fund without reducing the support it gives to other essential services such as health, schooling, rural development etc.

v) Savings mobilization

The reasons for saving :

- a) savings can play an important role in keeping a club together,
- b) through club savings individual members can be assisted in time of need,
- c) the club can use its savings to pay for defaulting members thereby allowing the club to continue borrowing,
- c) savings can be used to develop club facilities such as club houses etc.,
- d) essential items such as record books, receipt books etc. can be bought with club savings,
- e) savings can be used to pay for the members' joint needs such as the transport of inputs and produce to and from the markets.

How to save Club savings can be generated through :-

- a) entrance fees, annual subscriptions, fines etc.,
- b) income generated from club gardens and other income generating activities,
- c) interest on club savings and loans deposited with the bank or provided to members from the clubs savings.

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Where to save Clubs may deposit or use their savings in the following ways :-

- a) the clubs Treasurer or another trustworthy member may hold the savings,
- b) a savings account can be opened with the Post Office Savings Bank or with one of the commercial banks,
- c) savings can be lent to members of the club and interest charged thereon,
- d) savings can be held in the form of produce or input items but this type of savings can deteriorate.

Recording savings Savings are recorded by the Treasurer in a Receipts and Expenditure Ledger in the same way as the club's other income and expenditure.

**0.4 TASK**

To explain why loan repayment is so important to the credit system and how savings mobilization can assist the clubs and their membership.

- i) Divide the participants into two groups,
- ii) get each group to discuss and list :-
  - a) the reasons why the club leaders should ensure that the members repay their loans early and in full,
  - b) why mobilization of club savings is important and how these savings can benefit the club and its members,
  - c) how the club can build up savings and where the savings can be kept,
- iii) have each group open a Savings Account Ledger and make a number of entries showing how the Treasurer will record savings and loans given out to club members.
- iv) Each group should then report to the full meeting, and,
- v) decide on a "back home plan".