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SOME OBSERVATIONS BASED ON ISSUES RAISED IN THE NINE WORKSHOPS
ON COOPERATIVES, SMALL FARMERS AND DEVELOPMENT*

by

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Introduction

This paper is the result of an effort to review the experience of U.S. co-ops in extending assistance to co-ops in LDCs. The review of that experience was conducted through a series of workshops, first with cooperative organizations of the U.S.A.: Credit Union National Association (CUNA), National Rural Electric Cooperative Association (NRECA), Foundation for Cooperative Housing (FCH), Agricultural Cooperative Development International (ACDI), Volunteer Development Corps (VDC), and Cooperative League of the USA (CLUSA). These were followed by workshops to get the ideas and reactions of people in the less developed countries: in Latin America (at Bogotá, Colombia), in Africa (at Nairobi, Kenya), and in Asia (at Los Baños, the Philippines). We also held a workshop in London to get the ideas and experience of people from European cooperatives and international agencies. After these workshops we met again with representatives of cooperatives in the U.S.A. doing work abroad, to review these findings.

The meetings invariably included discussion of: (1) the nature of cooperatives, (2) the role of cooperatives in development, (3) the role of cooperatives in reaching the rural poor, and (4) assistance by cooperatives in the U.S.A. to cooperatives in LDCs, and (5) comparison with experiences of cooperatives as they developed in the U.S.A.

In this paper we are attempting to review the issues that surfaced in the preceding workshops, and to raise questions generated but not resolved

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by the workshop discussions, to help focus the discussion at this April seminar on Cooperatives, Small Farmers and Development.

Most of this paper deals with the role of cooperatives in development. It is the last two sections which deal specifically with technical assistance, the topic which this seminar was invited to consider. The readers are hereby asked to give special attention to those sections.

Differences and Similarities

There is a striking difference between cooperatives ranging from types which can be small, self-contained and which depend primarily on organizational effort--for example, credit unions--to those kinds highly dependent on technology and capital--for example, rural electric cooperatives--which have to be large enough to achieve economies of scale in equipment and must have skilled technical and managerial staff.

Other important variables that affect the type and size of cooperatives that can be formed in an LDC are the levels and types of economic, social and political development. Of course, these vary greatly.

On the other hand, all cooperatives were similar in their need for human development, development of leadership and of membership commitment.

Organizational Features: Establishing Participatory Organizations with Outside Initiative

The organizational principles of cooperatives were formulated in western societies where the initial growth of cooperatives was largely a grass-roots effort of forming local societies conducive to active participation by the members. In the case of the United States, Knapp points out that: "Most of the cooperatives formed before 1920 were local in character, for large-scale or regional-type associations were then just becoming prominent." (p. 432)¹ Knapp also cites the lessons learned from that early experience:

Effective cooperatives cannot be built on idealism alone, nor based on a glorified conception of human nature. If cooperatives promise too much, disillusionment will soon set in. Cooperatives require an informed membership that is willing to accept responsibility. . . . Cooperatives cannot run before they learn to walk; slow initial progress usually contributes to later strength. . . (p. 434)

Membership must be kept thoroughly informed so as to maintain their interest and confidence in their organizations and understand their problems. . . . (p. 435)

Educational programs and membership relations work are required to develop and maintain adequate membership interest, support and understanding. (p. 436)

Many of the early cooperatives failed. The ones that succeeded were not based on idealism alone, but (1) had a capacity to provide service to members, (2) had a membership that knew what to expect of its cooperative, and (3) were capable of providing the necessary leadership.

Since 1920 more assistance was available to U.S. cooperatives both within the co-op movement and from outside sources. Co-op federations and national cooperative organizations provided technical assistance and other services to local cooperatives. The government played a major role in the formation of farm credit cooperatives and in rural electrification. More recently the government, foundations and national cooperative organizations provided assistance for organizing cooperatives among the poor and ethnic minorities.

Outside initiative is also the usual way of promoting cooperatives in LDCs. Governments, voluntary agencies and contractors under donor programs, such as American cooperatives, are active in promoting the organization of LDC cooperatives.

Under such conditions the task of creating a cooperative organization is one of the agents of promoting organizations providing encouragement and initial leadership without creating a continuing dependence. On the contrary such agents need to act so as to foster local leadership and commitment of members of the same kind as would have resulted from the struggles and the trials and errors of a more spontaneous origin. (This does not mean that the local cooperative has to survive unaided by a variety of supporting services from the cooperative movement, governments and other organizations.) Various ways of meeting this challenge, both in the United States and in LDCs, were discussed in the workshops and are described below.

In the CUNA workshop, the cooperators asserted that they can successfully form a local credit union provided that they are given sufficient time and are allowed to determine the relevant natural groups. What is sufficient time depends on the situation in which the credit union is being organized;

much less time is needed to organize a credit union for employees of an enterprise than a community-based credit union. The first type (1) has ready access to savings and loan repayment through payroll deduction, (2) has the bond of common employment which includes the ready access to information about character and income of borrowers, (3) can utilize the facilities and support of the parent enterprise, and (4) is very conveniently available to members. The community credit union has to do much more building: it has to build management which is organizationally and technically effective, and a committed membership, where such effectiveness and commitment depend on a well functioning delivery system, which has to be created from the ground up by the credit union without the facilities of a parent enterprise.

An illustration of these problems was CUNA's experience in organizing "Limited Income Co-ops" sponsored by OEO (Office of Equal Opportunity) among the U.S. poor and ethnic minorities. Of these about half succeeded and half failed. Some credit unions failed because they were based on artificial areas rather than on social groups with some common bond. Failure was also due to insufficient time given CUNA to develop local leadership as well as to the difficulty of developing leadership in groups without a common bond. In such cases, individuals taking employment with the credit union did so primarily for the sake of the income, without possessing the leadership and trust among the membership of the credit union.

A somewhat different approach to outside initiative was taken by Agricultural Cooperative Development International in helping Guatemalan Indian marketing and supply cooperatives.² These were organized as large regional multi-village societies with 1,000 - 3,000 members, with a few functions performed by component village groups. The village group functions included evaluation of loan applications, debt collection and, in some cases, village warehousing.

The reason for this structure was that only the larger scale of a regional cooperative could economically support the required capital and skilled management. More specifically, this meant that the leaders and officials of the village groups and the directors of the regional cooperative were drawn from local Indian members, while the staff of the regional cooperative were outside-educated Ladinos (Spanish-speaking Guatemalans oriented to the national rather than the local culture). This organizational structure

makes possible a much more rapid development of the business functions of the cooperative. On the other hand, some observers feel that it creates a management-dominated organization, and delays or blocks the movement of members into assuming managerial or policy making roles.

An alternative approach was reported by John Montenegro in the Philippines. His center in Mindanao has decided it is preferable to begin with those group activities that can be carried on with the skills possessed by local people (for example, those not requiring accounting). Groups are organized to perform such tasks as clearing land with contributed work and sharing of tools. Initial emphasis is on creating the spirit and experience of working together and creating the skills of managing joint enterprises before forming formal cooperative organizations.

Another way of obtaining managerial and technical skills is illustrated by the history of rural electric cooperatives in the U.S.A. In this case, a government agency, the Rural Electric Administration (REA), played a key role by finding and training managers, engineers, and linemen and training directors of the cooperatives. In the early years of these co-ops there was a large turnover of managers and technicians; and the strong hand of the REA in supplying and training such personnel, as well as other organizational and financial assistance, was crucial in getting rural electric cooperatives securely established.

The cases cited above illustrate four different strategies in different sets of conditions. The Mindanao Philippine case illustrates a strategy of taking on only those functions which do not require organizational and technical skills beyond the capacity of the members; at the same time the experience of the group in working together and working with elements of the larger society is increased.

In the case of the credit unions, the outsiders take on the tasks of generating the required organizational and managerial skills within the membership.

In the case of the Guatemalan Indian cooperatives, educated managers and technicians take on a continuing important, possibly dominant, role inside the cooperative. This is required by the organizational, technical,

and size requirements of the cooperative, as well as by the inability of the membership community to provide the necessary people.

The rural electric cooperatives in the U.S.A. solve a similar problem differently: managers and technicians are trained by an outside government agency but such managers and technicians are probably not as dominant within the rural electric cooperatives as the Ladino managers and technicians are within the Guatemalan Indian cooperatives.

Except for the approach illustrated by the Philippine case, the managerial and technical staff of cooperatives in LDCs require skills not possessed by most members of the cooperative. Even more important is the cultural "distance" and the difference in contacts with the larger society between the staff on hand and the directors and members on the other. When membership and the directors are socially and culturally distinct from groups from which qualified staff would have to be hired, the relative authority of the directors is apt to be diminished and that of the staff increased.

The problem is one of overcoming the disabilities of the membership in dealing with the larger society by providing a supporting outside structure dedicated both to the interests of the membership and to the development of the membership's ability to cope with the larger society. This raises the question how socio-political movements and political and ideological activists compare to more neutral and technically oriented organizations in organizing cooperatives.

Presumably in the early stage of a cooperative serving disadvantaged groups it is particularly important that directors and staff are trusted and seen as committed to the interest of members; and the staff is judged as much on its responsiveness to members as on its ability and efficiency. At this stage, the co-op is creating new links to opportunities to the larger society on more advantageous terms than previously available. When a cooperative has proved itself, staff and directors are more trusted by the membership, resulting in more autonomy for decision-making. And when local groups have had more success in economic advance and integration with the larger society, their cooperative becomes only an important alternative

among other organizations offering similar services and a management-dominated cooperative continues to be responsive to its members primarily by offering services on attractive terms.

In the earlier stages of farming cooperatives in LDCs, what kind of assisting organizations can help to increase the effectiveness of overall control by members and boards of directors and the representativeness of the boards of directors?

In this task, what are the distinct roles of national cooperative organizations, government agencies designed to assist co-ops, international cooperative organizations and technical assistance programs operated by cooperatives in developed countries?

Situations in which Cooperatives Have Better Opportunities to Succeed

At the CLUSA workshop the origin of Nationwide Insurance was described thus: "we came out of a consumer complaint." This was a reference to high insurance rates charged to farm people in Ohio in the early days of automobile insurance. The underlying cause was lack of recognition by early private insurance companies that risks of claims were lower in rural areas than in cities. A similar "consumer complaint" basis for origin of co-op distribution of gasoline to farmers was given at the ACDI workshop. When tractors were first used, farmers purchased gasoline by paying gasoline stations for making deliveries to the farm. The cost of delivery from wholesale storage tanks to the farm was the retail margin of the gasoline station plus ten cents per gallon for delivery to the farm. This service could be done more efficiently by organizing cooperatives which catered to the needs of farmers for delivery at the farm instead of gasoline stations which served motorists who stopped in at the station to fill up the gas tanks of their automobiles.

These cases illustrate a general prescription made at the ACDI workshop: that co-ops need to be developed where essential services are not provided economically. This also implies that other services are well performed and do not provide opportunity for cooperatives. Farmers generally suspect middlemen of high profits, and expect that such exploitation would make it easy for cooperatives to succeed financially and benefit

their members. Many times this is not the case; the existing services are provided at a low cost, given all the difficulties of providing them.

Starting in areas with the best potential is also a matter of avoiding dangerous opposition of strong vested interests that are prepared to defend themselves by political influence or physical violence. Competition with truckers might give a co-op slashed tires or a burned vehicle. On the other hand, it was asserted that supplanting the money lender is not that difficult or that dangerous. Other strategies are reaching new clientele (farmers who haven't used much fertilizer before) or performing new services (like assembling produce to the point where it can be sold in bulk to existing middlemen).

In general this is a strategy of starting in areas of greatest economic opportunity and least opposition, building the movement economically and politically and, when the movement is stronger, moving into new activities.

Economists would generally expect that if there are inefficiently performed services (like the "consumer complaint" cases above), a private business is more likely to move in aggressively to exploit such profitable opportunities than cooperatives. The evidence of marketing studies, which generally show that marketing margins are not excessive but are needed to cover costs of services, is partial evidence to support this expectation.

I would like to develop a speculative argument about the difference between private business and cooperatives which might explain actual behavior. Private business does aggressively seek out and develop opportunities in linking producers and consumers. It may even go to great lengths to provide auxiliary infrastructure, where such does not exist, but is a necessary cost of achieving profit from the main enterprise. Thus in developing banana production in Central America, private enterprise had to invest in roads, workers' housing and education. Thus, where profitable, private business will invest in human development and infrastructure as well as in the product from which it earns profit. But private business is not committed to developing specific groups of disadvantaged producers or consumers if supply and demand can be most profitably met by dealing with other groups.

For example, before electrification of rural U.S. by electric cooperatives, private utilities "skimmed" off of those rural people who could be served at least cost: where population density was higher or where farm families lived close to electric lines. By the calculus of costs and existing technology, there was indeed more cost than return in serving other farmers. By contrast, the electric cooperatives were committed to an area approach: to meeting the needs of all unserved rural families in areas to which electricity was becoming available.

Of course, both private business and co-ops need to earn sufficient income to cover costs or they cannot survive. But the goals of the two types of enterprise are different. A co-op is committed to serving the unserved, and developing or creating ancillary conditions so that it becomes economic to serve them. Such development of human potential or of infrastructure includes member education, training of directors and staff, assembling the product of small farmers so as to make it profitable for buyers to purchase it, improving sanitary conditions of farm production by members, otherwise increasing quality, assuring stable and timely delivery, etc. Private business will undertake such activities if they are necessary costs of obtaining returns, but not if they have available to them better prepared farmers who are ready to supply a product of the required quality, without costly activities by marketing firms.

Also, in the language of economists there are some additional uncharged costs that permit the co-ops to succeed. A substantial part of the human development effort in establishing a cooperative is paid for by dues and by contributions of time of directors and members, and is in that sense a subsidy to income-generating activities. For example, member education includes activities which create better understanding about how membership performance affects success of the cooperative (credit repayment, improvement of quality of product, etc.) or which increase trust of the membership that the cooperative is protecting their interests while facing economic and technological constraints. Similar activities by private business are more likely to be suspected of serving its own interests, and not the interests of those whom it is trying to influence.

This does not mean that all such attempts to develop conditions for serving the unserved will be successful. The attempt to organize a cooperative may prove that the combined costs of production by small farmers and marketing by cooperatives, even after improvement brought about by joint activity, are not competitive with production available from other sources. Or elements of subsidy or special governmental protection may need to be included, such as concessional interest rates, or technical assistance from public agencies, or exclusive rights to purchase or supply certain commodities and services. But even in these cases, cooperatives would have to achieve the organizational efficiency and the development of membership so that their revenues would cover their cost. In that sense, cooperatives would be closer to business activities than to government programs.

Another relevant issue in analyzing the roles best performed by co-ops is the question of what services they perform better than state agencies.

Several examples of this were given in workshops. The NRECA people reported that a common political campaign promise is an electric generator for a municipality. It may indeed be delivered, and some electric lighting provided. But the technical skill, maintenance, repairs, and billing do not come associated with such a generator. Before the next election, the generator is apt to be out of use. It is not a dependable enough source of power to provide the basis for investment by local industry, or in using electricity in farm production.

On the other hand, creating a viable rural electric co-op does provide an organizational structure for continuity and growth. Similarly, the CUNA workshop reported that credit unions have a better repayment record than supervised credit programs run by public agencies. Likewise, housing cooperatives can provide low-cost shelter in areas where governments do not have the resources (or the will) to construct public housing. Where both exist, evidence has shown that cooperative housing is better maintained, and payments are more regular, than in public housing.

The implication seemsto be that co-ops can be more flexible and more responsive to their membership, and better capable of providing the continuity in maintenance and repair than public programs initiated on the basis of political promises.

But comparisons are also needed to programs run by well-established bureaucratic state agencies.

Co-ops versus Political Activity on Behalf of the Disadvantaged

An issue that surfaced repeatedly in the workshops was whether the very poor can be helped by the relatively slow, patient processes of building successful cooperatives, or whether their disadvantages within the system require a socio-political movement to gain political influence and increase their role in the system and their unity of purpose as a group seeking changes in the system (Paulo Freire's "conscientization").

In the Asian workshop this issue led to the formulation that co-ops could help the poor who had some land or skills, but not those without any resources; co-ops are not welfare agencies that can redistribute income. Providing resources to the poor needs to be accomplished through pressures of socio-political movements on governments, leading to government policies for reform and redistribution.

At times the concept of exploitation was used to describe the situation of the disadvantaged. But "exploitation" was used in the discussion in two senses: (1) as equivalent to a "consumer complaint" which could be remedied by forming co-ops to provide better service (for example, by forming credit unions to replace moneylenders); and (2) in the sense of inequality inherent in the system (for example, people without land who may need a land reform as a basic first step). Does this formulation help in distinguishing where co-ops can help and where other activities need to take place first?

The conception of people without resources is probably too simple. Even the most disadvantaged have some resources and organized activity can help them link up to opportunities denied them as individuals. For example, in El Salvador landless peasants used a socio-political movement and production cooperatives to rent land, farm it collectively, and get access to credit, technical assistance, contracts to sell corn to the government purchasing agency, and to sell cotton to a national co-op with sole rights to export, all of which were inaccessible to individual peasants with small holdings or with no land.

What seems to be at issue is which is to be the dominant activity: the building of cooperatives or political organization and agitation; this is particularly important since a certain distance needs to be maintained between these two activities.

One of the basic insights from cooperative experience is that the task of building cooperatives is a slow careful process with attention to detail, good record keeping, planning out the logistics of various interrelated activities, and attention to costs and changing technology. The kinds of persons who work well at these tasks tend to be different from leaders who build a political movement. Charisma and ability to establish rapport and to stimulate emotions and commitment of followers are likely to be more important to the latter than are patient attention to detail and staying put behind a desk. Also it is important to a co-op to concentrate on its own task, not to allow political differences to split its membership, and not to be used by its own leaders and outsiders for political purposes unrelated to co-op activities.

It seems to me that it is important for cooperators to insist on the autonomy of their activities from politics, without asserting that their activities are more important or will achieve more than political activism. In their desire to protect co-ops from activities which can destroy them, co-op leaders should be careful not to seem negative or hostile to political movements, which may be very important to their members. At the same time, government and political leaders need frequent reminders not to yield to the temptation to use whatever influence they have in cooperatives for their own purposes.

It also seems to me that the balance between political activity and growth of cooperatives may fall into one of three situations.

One of them is where political activity is dominant because of a revolutionary situation or major redistributive reforms in progress; in this case, co-ops would be adapting themselves to new groups and possibly new activities. Another one is a case where there are no major redistributive reforms, the political framework is stable and it and the economic situation allow considerable scope for development by a variety of means; such

a situation would allow considerable scope for co-ops as organizations which can help a variety of groups.

The third case is one of great inequality and poverty, but little scope for political activity and for redistributive reforms; in this case there probably exist opportunities for growth of cooperatives which can redress some "consumer complaints" and may be the only significant opportunities for aiding some groups of the poor. At the same time, in relation to the poverty and inequality, the improvements achievable by cooperatives may seem insubstantial. In this last situation there may exist a strong difference of opinion between those who would promote cooperatives and those who would seek to organize agitational or revolutionary activities.

Co-ops and Development in U.S. Agriculture

In several of the workshops the assertion was made that cooperatives in the United States were instrumental in increasing the participation of rural people in development. A somewhat different point of view was expressed as follows: cooperative democracy has to do with distribution within the co-ops, not in the society at large; also cooperatives are an outgrowth of a democratically permissive setting rather than the cause of it.

It is very difficult to determine what is cause and what is effect in social phenomena. Basic conditions and policies which have helped to give the United States a relatively egalitarian economic growth include: a relative scarcity of labor in relation to land and capital, rapid rate of economic development, public provision of universal education and good transportation and, in agriculture, public support of research and extension.* What was the additional contribution of cooperatives is probably difficult to determine.

Cooperatives have probably helped to preserve access to market opportunities for the great majority of farm families and have improved the terms

*It is notable that government extension policy fostered agricultural cooperatives in the U.S.A. and does still today.

on which such opportunities were available, in part by preparing farmers for the requirements of market demand (improving quality of farm products, improving credit terms, etc.). Without them, the required production would probably still have been available, and most families would still have shared in increasing incomes, but U.S. agriculture might not have been dominated by family farms.

This is but another way of saying that U.S. farmers had causes for discontent with bankers, railroads, suppliers, and warehouses in the great movements of the 1870s, 1890s, 1920s, and 1930s. The cooperatives and the public policies resulting from this effort not only were of direct service to farmers, but also provided a competitive yardstick for terms on which private credit agencies and marketing firms dealt with farmers.* The resulting structure of credit and marketing was available to all farmers, large and small, at the same time that this availability probably discouraged the emergence of a substantial segment of larger-than-family farms.

Cooperatives and the Rural Poor in the U.S.A.

In the ACDI workshop it was mentioned that, in the typical situation in the U.S., cooperatives do about 80 percent of their business with about 20 percent of their farmer members. Yet both larger and smaller farmers need each other, and neither group would do anything to outrage the other. It was stated that it is preferable for a board of directors to include a mix of different kinds of people: larger and smaller farmers and older and younger members. It is important for the board to include some directors who can afford to give considerable time to co-op affairs (twenty days a year was mentioned); such a director is likely to be a larger, wealthier farmer, not deeply in debt, and not a tenant who has to worry about pleasing a landlord.

Larger farmers are needed to provide leadership and volume of business large enough to pay for management and capital. Membership by smaller

*For example, the late Howard Cowden, founder of Consumers Cooperative Association, now Farmland Industries, pointed out that the entry of cooperatives into the fertilizer production business cut the cost of fertilizer for all farmers, by two-thirds.

farmers provides a broader base of support for the co-op in the community. In general, in the U.S. context, it has been difficult for co-ops to serve the interests of the larger and smaller farmers.

In the same ACDI workshop, the generalization was made that it would be very difficult for co-ops to base themselves on a membership made up only of the poor, that U.S. co-ops have done an excellent job of increasing production and income of farmers below the median and above the lowest 10-15 percent, and that while some kind of an income transfer program for the poor is needed in any society, the co-op is not a transfer mechanism. This point was modified in further discussion which noted a variety of transfers within co-ops from richer to poorer members: The time of the board of directors is spent for the benefit of all the members, and technical assistance funds of co-op federations are used disproportionately to help weaker member organizations. A general comment on this was that agricultural co-ops will play Robin Hood with educational funds but not with accounts receivable.

Cooperatives and the Rural Poor in LDCs--Contrasts to the U.S.A.

The situation in many LDCs differs from that in the U.S. in that rural societies in LDCs are less homogeneous, and there are greater differences between larger and smaller farmers in products grown, technology used, and market outlets utilized. The workshops did not go very far in discussing the implications of these differences for co-op strategies of reaching the rural poor in LDCs. Probably the experience of U.S. co-ops in including larger and smaller farmers is not very relevant for conditions in LDCs, particularly where agriculture is dualistic, as in most of Latin America.

Probably more relevant to the role of cooperatives in reaching the rural poor is the discussion above about the commitment of co-ops to make opportunities in the larger society available to their members, and to help their members upgrade themselves, individually and as a group, to take advantage of such opportunities.

In as far as small farmers produce the same products and use the same technology as larger farmers, a cooperative should be able to serve both kinds of farmers. This would apply to marketing, inputs, processing, and

credit. Examples would be the Maharashtra cooperative sugar mills and the Anand dairy cooperative both in India. Anand cooperative pioneered in establishing processing facilities, delivery procedure, and on-farm sanitation which were equally suitable for large and small farmers.

Where there are differences between larger and smaller farmers in product or in technology, the situation is probably more similar to the position of the members of the Southern Federation of Cooperatives in relation to the rest of U.S. agriculture. Among the problems they face is that machinery for smaller-scale production is no longer being manufactured, and agricultural experiment stations have stopped researching on production problems of smaller farmers.* These cooperatives are still finding the right niche for small farmers, and they realize they cannot produce some products economically in competition with larger farmers. They also face social and educational disadvantages resulting from past discrimination. In this case, the problems of their members are sufficiently different so that they need a co-op of their own.

But as difficult as the problem of using different technology and competing with technologically more advanced groups, are problems related to social differentiation and political power in LDCs. The poor are related to the better off through patron-client relations, in which case it is difficult for them to act independently, or else the client ties to local landowning patrons are eroding, in which case the poor are losing access to the land. This dependence would probably make it more difficult to organize the poor to form cooperatives that serve them effectively. Political mobilization of the poor would offset this dependence, but may create other difficulties for organizing cooperatives (see section above on "Co-ops versus Political Activity . . .").

In general, the workshops have dealt less with the impact of the underlying social reality than with other issues.

Human Development

In the CUNA workshop it was mentioned that most of the Tanzanian government leadership came out of credit union or trade union experience. That

*Although there are evidences of a reversal of this in some states in the U.S.A.

is, the very effort of building a successful co-op movement requires creation of leadership for the movement out of groups which have not had such opportunities before. The leadership thus developed becomes available for all kinds of other programs in the country. This is a benefit that may not be given sufficient importance in evaluating technical assistance programs to co-ops in LDCs.

Difficulties in evaluating co-op technical assistance programs have already been mentioned above. On one hand, fostering co-ops is a task which it is difficult to hurry; on the other hand, getting some viable cooperatives established (regardless of whether number or time schedule targets have been reached) can provide the basis for self-sustained growth of additional cooperatives. Both the structure and the ideology of the movement favor such continued growth. The structure of the cooperative movement is typically composed of local cooperatives and one or more levels of federated organizations to which the local co-ops belong. Dues and sales of supplies and services provide income to the federations. Federations provide technical assistance to local cooperatives, represent the movement; the resources of the federations are likely to be used to promote the formation of new local cooperatives.

Because LDC governments and donors often view cooperatives as institutions which promote a more democratic form of development, they may attempt policies of forming cooperatives at a rapid rate, and they may design them to include a high proportion of rural people. This is a classic case of outsiders attempting to create participatory institutions, and such efforts have repeatedly failed. The nature of the task should rather be focused on sustained support for a smaller number of cooperatives, sustained long enough so that some of them become capable of surviving largely on their own (failures should be expected). Possibly the target should be formulated as an establishment of a nucleus of viable cooperatives, which may lead to further growth of the movement. An additional "output" of viable cooperatives, with or without further extension, is the human development of new leadership and of the greater awareness of those rural families who become members of cooperatives. Measures other than formation of cooperatives may have to be used to reach quickly a high proportion of rural people with various developmental programs.

Combining Business Activities with Other Functions

One problem mentioned particularly in the CLUSA workshop was that of combining the income earning activities of a cooperative with functions contracted or paid for by outside agencies. In Panama, the government granted the co-op federation a monopoly of imports of fertilizer and of fertilizer distribution to land reform projects. This caused several problems. First, the federation was not well enough established in carrying out its primary activities, and it might have been advisable to give it time to improve its performance before assigning it a rather unrelated set of activities. Second, only 30 percent of the fertilizer distribution was to cooperatives, thus federation management assumed a major responsibility divergent from interests of its members. On the other hand, in Japan, cooperatives successfully combined their own activities with extension activities contracted for by the government. But this was a case of adding on an activity to an already well-established cooperative movement, with a good record keeping system which separated the costs and returns of both types of activities.

Somewhat similar situations arise in the case of outside "start-up" subsidies for new cooperatives. In the U.S.A. such funds had been made available for cooperatives among the poor and minorities as noted above. Subsidies were granted for office expenses, for loanable funds or for working capital in the beginning when business with members is not sufficient to generate enough income for running the cooperative.

Such relations with outsiders raise the issues of which activities mix well and which ones don't, and what safeguards are required when activities or sources of capital are combined. There is probably sufficient experience to formulate guidelines. Good record keeping which separately measures distinct activities or measures progress towards self-sufficiency is very important. Other issues include how to make good use of outside funds without becoming dependent on them in the long run.

LDC Views and Technical Assistance by U.S. Cooperatives

At the workshops in Africa, Asia and South America, mixed views were expressed about the value of outside technical assistance. Many of the

criticisms are applicable to all kinds of technical assistance, not only that extended by cooperatives. In part these criticisms are perhaps a reflection of a basic discontent with the need for accepting outside assistance that cannot be a good fit to the need, and is always an intrusion to some extent, no matter how well-intentioned, capable and dedicated the outside person is.

The Asians meeting in the Los Baños workshop had a favorable opinion of financial assistance, assistance that dealt with technological requirements and assistance on cooperative training, but had more negative reactions to assistance in organization of cooperatives, including advice about cooperative approaches and philosophy.

The negative response to assistance in co-op organization included the following comments: consultants were not sensitive to cultural differences; they were used to their own setup and were certain that they had the answers; they were the most available and retired rather than the best qualified persons from cooperatives in the developed countries; also consultants who have had prior experience in other LDCs were judged more useful. Ideas and suggestions were appreciated, but specific directions about what was to be done were poorly thought of. One useful aspect of technical assistance was that government personnel tended to be more receptive to ideas of local cooperators if backed up by foreign advisors.

The Indian fertilizer co-op manufacturing program (IFCO) was mentioned with great appreciation by Indian cooperators at Los Baños. In this case, CLUSA was evidently very helpful in aiding Indian cooperators to think through the program for manufacturing and distribution to farmers before plans were set and construction started. The Indians were originally hoping to have a fertilizer manufacturing plant in every state. CLUSA helped them see that would be uneconomic. It was also influential in helping planners realize that distribution is a problem that is more demanding, and of longer duration than construction of a plant and manufacture of fertilizer.

There was a very positive response to help that could be provided to various training programs for cooperative directors, managers and members. The needed assistance was described as training of trainers. There was

interest in sending staff members of training programs to developed countries, as well as interest in teaching and training techniques employed in the developed countries. It was stated that good instructors are difficult to find, and that in general good co-op managers are not good instructors, and university teachers have had no practical experience with management.

Beyond comments about technical assistance, interest was expressed in inter-cooperative trade, with a desire that cooperatives in developed countries help the LDC co-ops export their products. One specific product mentioned was handicrafts. Also a hope was expressed that co-ops in developed countries would take leadership in acquainting their own citizens with (1) needs of LDCs, (2) grievances over adverse effects of foreign investment, and (3) the LDCs' drive for a New Economic Order in international economic relations.

In the Latin American workshop, it was also reported that beneficiaries had negative reactions to AID, World Bank, and even Peace Corps help.

In the African workshop, participants agreed that unless people participate in the planning and execution of programs so that they fully understand and appreciate the objectives, cooperative organization seldom succeeds. Much of technical assistance was criticized as being too expensive for recipient countries because of the need to provide, out of local resources, living expenses, services and transportation, etc., to visiting "experts." Sweden was cited as a welcome exception, especially for cooperative-to-cooperative kind of assistance.

The London workshop heard a report from Sweden that a higher proportion of projects were less satisfactory and disappointing where there was a government-to-government form of assistance. Some of the possible reasons for this were that co-op movement-to-movement assistance tends to be on a smaller scale than government-to-government projects, and more likely to relate to the needs and objectives of the cooperatives themselves rather than to some overall governmental policy.

In addition, it was pointed out that where the assistance is on a movement-to-movement basis, it is possible to establish more direct and effective communication. The conclusion therefore was that the more direct the aid can be, the more likely it is to be successful.

It was concluded by the London workshop group, however, that it is almost impossible to provide direct movement-to-movement assistance without going through government, because in most cases cooperatives have been formed or organized as a government project or program. On this last point, there was a consensus among the participants in the African workshop that cooperatives are very often a political instrumentality. It should be accepted simply as a matter of reality that cooperatives and their form are directly related to the type of political structure.

Technical Assistance as Seen by U.S. Cooperatives

There was a universal complaint among U.S. cooperatives about donor expectations and evaluation procedures. The complaints were about expecting too much too soon and lack of funding for follow-up assistance after infrastructure activity was completed. Listening to cooperative leaders, one gets the impression that the U.S. Agency for International Development (USAID) emphasizes "outputs" within a specified time frame, while co-ops think in terms of creating a self-sustained organization capable of delivering outputs. The tests for USAID are whether output targets are reached; for co-ops, whether organizations capable of surviving are created. Given that the task is one of outsiders creating among the membership a commitment and an ability to run their own organization, specific output targets are not as important as flexibility to changing needs as the organization progresses, and avoiding creation of permanent dependency.

What are more appropriate evaluation procedures?

Another complaint was about lack of co-op involvement early enough in the planning of technical assistance projects and about bidding procedures. There are several problems with the bidding process. On one hand, U.S. co-ops find themselves bidding on projects which they do not consider to have been well designed. On the other, they may also find themselves losing a bid to an organization with less capability (and possibly less commitment), only to find such an organization turning to the co-op for assistance in finding people and for advice. Another issue is the extent to which the LDC co-ops, for whom assistance is intended, find possibilities to participate in the early stages of planning projects.

U.S. cooperatives also have the capability to make their know-how available in technical assistance to government agencies and other non-cooperative organizations. They do have an interest in doing this, though their preference is to work with parallel cooperative organizations in LDCs. One issue that arises in this context is assistance to organizations that are largely government directed and are cooperative in name only. U.S. co-ops can assist such organizations to change to a more genuine cooperative form; in many cases this would coincide with objectives of the LDC, and often it would also be important because a genuine cooperative would be a more effective organization.

There are alternative strategies and varying needs to be met in providing technical assistance to cooperatives in developing countries. As indicated above, there are differences between programs that extend specific technical skills such as use of computers in centralized record keeping or mixing of feeds and fertilizers, or assistance to training programs for directors, members and staff, or advice about organizational problems of cooperatives.

Assistance can be extended to LDCs at the local, or national, or some intermediate level. In a discussion among U.S. cooperators, an opinion was expressed that it is too costly to use such assistance to aid a few local cooperatives; rather it makes more sense to make it available at the level where it can assist national cooperative organizations. Programs such as the Peace Corps can be utilized to assist local cooperatives. But it was also argued that it was worth while to spend time and concentrated effort to ensure that a few local cooperatives become well established, since these could provide a basis for forming additional cooperatives through LDC resources. The impact of technical assistance from developed countries can be multiplied by establishing the capacity to extend further technical assistance in the Third World. For example, the credit union movement through the World Council of Credit Unions has fostered regional confederations in Africa, Asia and Latin America with capacity to assist member countries and national associations with similar functions within their boundaries.

In this seminar, where cooperators are present from LDCs and from the U.S.A. and other developed countries, there is an opportunity to determine

how the impressive resources of the U.S. co-op movement can be most helpful to the cooperatives in the developing countries: to determine which technical assistance programs in which situations work best, and which programs should be modified or decreased.

NOTES

1. Knapp, Joseph G. The Rise of the American Cooperative Enterprise; 1620-1920. Danville, Ill.: Interstate Press, 1969. pp. 432, 434, 435, 436.

2. See David Fledderjohn's article describing this, "Cooperative Dilemma: A New Approach in Guatemala that may show the way out of a common impasse." International Journal of Cooperative Development, Vol. 5, No. 4