

Co-operatives

by Margaret Digby

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Co-operatives

A co-operative organisation enables a number of small producers (or consumers) to undertake operations that they could not do individually. It enables small farmers to market and pack and store their produce in bulk, it enables fishermen to get credit or townspeople to build themselves houses. Its applications are many and its ability to mobilise the resources of a developing country is well known.

Numerous co-operatives of many kinds already exist. But there is scope for many more. This pamphlet sets out in clear and authoritative terms the various types of co-operatives and the uses to which they can be put. It deals also with the implications of co-operatives in relation to politics, private business and community development. While stressing the value of co-operatives as a nation-building force, the pamphlet makes no attempt to conceal the fact that certain types of co-operative are suitable only for fully industrialised societies. It stresses the pre-requisites of success and points to the avoidance of pitfalls.

The Pamphlet lays down no single 'correct' way of starting or running co-operatives. That must depend on factors varying from country to country. Rather it enables the administrator in a developing country to assess the advice of experts and to consider the implications of co-operatives before making a decision. The clear and informative material in the pamphlet is also valuable to politicians and journalists and all who influence public opinion.

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by Margaret Digby

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Foreword

by Sir William Slater

The speed and the efficiency of economic development in any country depend on the wise application of science and technology. The ill-considered use of these powerful tools will, with equal certainty, delay progress and lead to waste. Almost every step to improve the standard of living and the general welfare of a nation involves, in the modern world, the proper application of the basic principles of some branch of science or technology. It is not enough to *adopt* that which has proved successful elsewhere, it must be *adapted* to local conditions of physical environment, to the state of economic development and to the character of the people. It is vitally important, therefore, that the Ministers who decide national policy, the Government Servants who implement it and as many as possible of those who are affected by it, should have a broad general knowledge of what is involved in any scheme of development.

There is never enough either of money or of men to do at one time everything which seems desirable or even necessary. A choice must be made between rival plans, each appearing to offer advantages and each supported by technical evidence from the experts putting it forward.

A Minister, with the help of the senior administrators in his department must make the decision; to do so with reasonable confidence, he and his immediate staff must master at least the elements of the underlying science. He will, of course, have his technical advisers, but they are almost always involved as the advocates for one of the rival plans. Moreover, each speaks in his own technical language often only partially understood by those who listen.

Time is always pressing; a decision must be made, not some years ahead after careful study, but today or at best tomorrow. There is no time to browse in a library, to try to learn the technical language, to find amongst the great mass of scientific knowledge just those simple facts which will enable the conflicting evidence to be understood and fairly judged.

Those who have to make and implement major policy decisions need a simple chart, which will enable them to find their way with

reasonable certainty in the complicated and changing world of science and technology. They must know the right questions to ask and be able to understand answers expressed in the language of technology.

It is the object of the series of pamphlets published by the Overseas Development Institute (of which this is the first) to provide such a chart. Each pamphlet deals with a limited field of development explaining in non-technical language the scientific principles involved, the results which may be expected from the application of these principles, the order of the steps, which must be taken to achieve their successful implementation and, perhaps most important of all, the pitfalls to be avoided.

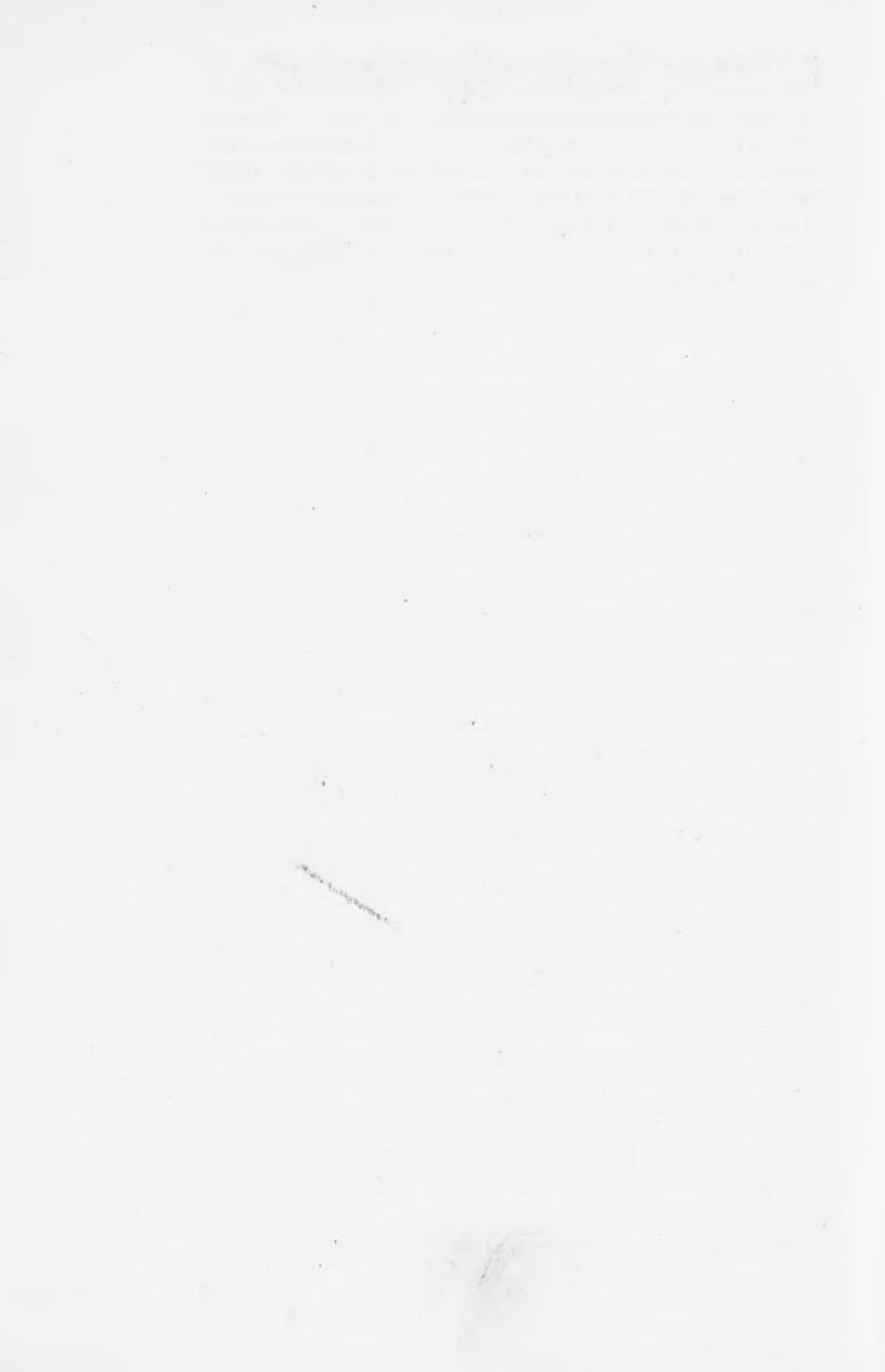
No attempt is made to state any definite path to progress because this, in the end, must be determined by economic and sociological factors which differ for each nation. The way to success can be found only in the skilful use of science and technology to exploit the economic strength of the nation, its natural resources, its geographic position and the qualities of its people.

Rapid development often calls for sacrifices from the people. It may be that for a time harder living conditions must be accepted or that long cherished traditions and ways of life will have to be forgotten. It is vital that the people should know what is involved in any change and be able to weigh immediate loss against future gain. However wise a decision may be, if the people do not accept it, the plan involved is doomed to failure. To tell the people the full story in simple language the Minister must himself have mastered fully the details of any scheme of development. Those which arise from economic and other conditions peculiar to his country he will know, the basic science and technology he must learn.

His task, however, will be made far lighter if a section of public opinion is already well informed. Herein, it is hoped, lies the second and equally important use for the Overseas Development Institute pamphlets, in making available to the leaders of public opinion — politicians, professional men and teachers — in a cheap and easily comprehended form the basic knowledge required to form considered judgements on Government policy. These will help to prepare the people as a whole for policies, which although wisely chosen may at first seem to offer little or even to call for the loss of some of the advantages they already enjoy.

The production of these pamphlets has been inspired by the experience of some of those responsible for the establishment of the Overseas Development Institute. They know how the desks of every Minister and senior Government Servant are showered

with papers which must be ready for tomorrow's meeting and how long reports and technical books lie collecting dust on the side table awaiting the spare day that never comes when they can be read. The aim has been to keep the pamphlets so condensed that they can be read virtually as committee papers immediately before the information they contain is required. It is hoped that they will find their place on a shelf in the office of every administrator, for ready reference when they are most urgently needed.



I. What is Co-operation?

1. Definition

Since the word 'co-operation' is often used in a very general sense to mean collaboration between any group of people for almost any purpose, it may be as well to begin with a definition of the kind of co-operation to be discussed in this pamphlet. The word will be used throughout in its more limited sense as the definition of a form of economic enterprise, the structure and objectives of which are somewhere between those of a private business and of a public undertaking. The co-operative form of enterprise is already widespread throughout the world, especially in agriculture and the industries connected with it, in distribution and in certain forms of banking and insurance. It has more recently become of importance in housing and in fisheries.

A co-operative organisation has been defined in a recent publication of the International Labour Organisation as follows: 'A co-operative is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically controlled business organisation, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking.'

It will be noted that a co-operative is a business organisation and that it serves primarily an economic rather than a social purpose. It is also a legally incorporated body with, broadly speaking, the same rights and powers as an individual or a company, but usually registered under a different law. It differs from a private business in that it is owned and controlled by those who do their business through it and who alone are entitled to become members. A marketing co-operative is owned by the farmers who sell their produce through it, a co-operative bank by its borrowers and depositors, a co-operative store by its customers. The object is to secure equal benefits for all, and to distribute these benefits in proportion not to shares invested, but to the use each member has made of the co-operative. A co-operative differs from a state enterprise in that membership is voluntary* and the members' authority over the undertaking is

* There are countries in which marketing co-operatives work closely with statutory marketing boards. This may limit their voluntary character. This will be discussed later.

exercised directly, through criticism of policy and the election of a committee at a general meeting, not indirectly through parliamentary control over a statutory body. The members also bear the full risks and enjoy the full benefits of the undertaking.

Other distinguishing marks of a co-operative organisation are that it should not be a closed group, but should throw open membership to anyone likely to benefit from its activities; that all members should have an equal voice in its affairs, no matter what their individual capital contribution; that no one should have a preponderant capital interest (which would enable him to influence policy by threatening to withdraw his shares); and that shares should not be limited in number, nor appreciate in value, but that new shares should always be issued at par and should bear a fixed and moderate rate of interest.

Although a co-operative is clearly a business enterprise, it is also obvious that great pains have been taken to see that it is not run in the interest of investors or dominated by a few rich men. This indicates that it has in fact underlying social purposes – the relief of poverty, the establishment of the small producer in a position from which he can make a full contribution to national economy, the creation of zones of economic activity free from any element of exploitation.

A co-operative organisation may be of any size, from the small village society with less than a hundred members, selling a few bags of cotton or cases of eggs, to the British Co-operative Wholesale Society, with an indirect membership of millions and annual sales of nearly £500,000,000. Since, however, co-operation is democratic in origin, it is usual for all large organisations to be built up from the bottom and to take the form of federations. The basic unit is the 'primary society', covering a small area and with a membership of a few hundred or at most (in some distributive societies) a few thousand individuals. These tend to come together in regional federations for business purposes, and the regional units may in turn form national organisations. In small countries the primaries may form a national federation directly. In large countries, like India, there may be a structure in as many as four tiers.*

The purpose of forming 'secondary' or federal co-operatives, is to carry out operations calling for more capital, a greater volume of business and more managerial skill than a primary society can command. Examples are wholesale buying, re-

* There is often a confusion in terms, since in some countries regional federations are called 'unions', while in others this word is reserved for national co-operative bodies of a non-commercial character.

insurance, banking, the processing and/or export of agricultural products. The federal organisations remain, however, the servants, not the masters of the primary societies. This reverses the usual practice in private trade, where a central concern carries on business through branches and wholly owned subsidiaries. The federal structure may not make for such rapid decisions, especially when a plan calls for fresh capital outlay, but it preserves contact with the individual member and safeguards him from ventures which may have no relation to his real interests.

2. Types of Co-operative Enterprise

It has been calculated that there are some 600,000 co-operative enterprises throughout the world, with a membership of perhaps 180,000,000 individuals, most of them heads of families. Of these undertakings four-fifths are connected in some way with agriculture. The second most important group (which, since it is made up of fairly large urban co-operatives, includes nearly half the total membership), consists of retail distributive or 'consumers' societies. These are followed in importance by co-operatives providing housing and by those concerned with urban thrift and credit, fisheries, forestry, and industrial production.

A brief description of the activities undertaken by these different groups may make the position clearer.

(a) Agricultural Co-operatives

These were first formed in Europe about a hundred years ago and have since spread to all parts of the world. They have two principal starting points:

(i) *Co-operative Marketing and Processing*. This may arise from one of several different needs or from a combination of needs: (a) a form of mechanical processing may be invented which gives control over the crop and the price paid for it to the owners of the machine (e.g. production of butter and cheese by power-driven machinery, cotton ginning, oil-seed crushing); the producers form a co-operative, acquire a plant of their own and so improve their bargaining power while retaining the profits from an additional step in the journey of the product from producer to consumer; (b) the product is sold in a distant, perhaps an export market, with which the individual producer has no contact and to which profitable sales can only be made in large quantities and by expert salesmen; (c) the value of the

product is greatly enhanced by quality and careful attention to packaging and transport, which again can be economically provided when a large quantity of produce is expertly handled; (d) a new cash crop is introduced for which there are no established marketing channels.

Co-operatives engaged in marketing and processing frequently also provide services for their members. These may include the supply of fertilisers, insecticides, etc., for use in growing the crop, or the advancing of credit to members to cover cultivating expenses.

(ii) *Co-operative Thrift and Credit.* In some countries in which the merchant money-lender has been a well-established element in the rural economy, the immediate need has not been so much to find a better method of marketing as to liberate the small producer from a load of debt and restore to him the economic freedom first to buy and sell in the best market and secondly, to begin the building up of a modest working capital of his own. This was the position in Germany in the mid-nineteenth and in India in the first half of the twentieth century. Consequently, in these and other countries, agricultural co-operation has been based on thrift and loan banks in every village, federated in co-operative clearing banks at regional and national level. In practice, the village banks often took on other functions, in particular acting as agents for the supply of the basic agricultural requirements, for the purchase of which loans were usually made. Though they seldom undertook marketing themselves, it was soon found that the advantages of freeing a farmer from debt were limited, if means were not also provided for the marketing of crops to his greater advantage.

Co-operative thrift and credit banks only lend at short or at most medium terms, since their resources are generally limited, and in any case based mainly on short term deposits. In many countries there is, however, a need for long term agricultural capital for the purchase, reclamation or improvement of land, or the reconstruction of farm buildings. This need is met by the separate formation of co-operative land mortgage banks.

(iii) *Co-operative Supply and Services.* In a few countries the starting point for co-operative organisation in agriculture has been the supply of agricultural requirements. This has usually happened in industrial countries providing large consuming centres, where marketing is not a pressing problem, farmers are not normally in the hands of money lenders, and the principal problems are those of rapid technical development. Even here, however, the

question of credit for the increased inputs into the farm and of markets for the increased output from it, soon begins to demand a co-operative solution.

It will be noticed from the foregoing, that from whatever point agricultural co-operation starts, it rapidly develops to cover the three main services: marketing (with processing); finance; and supply of agricultural raw materials and tools. There are also, in many countries, co-operatives supplying a range of subsidiary services: insurance of livestock, crops, farm buildings and vehicles; irrigation and drainage; livestock breeding; joint use of machinery; supply of seasonal labour; transport; rural electrification, etc.

All the forms of agricultural co-operation so far noted, are designed to provide support and opportunity for the individual farmer, on his own small or large farm. In some countries, notably those with communist regimes, the system of individual farm management has been wholly or partly abandoned, in favour of 'collective' farming of large areas of land. Since many of these systems of joint cultivation have been imposed compulsorily (as well as for other reasons), it is doubtful whether they should or should not be regarded as a form of co-operation. In any case, they raise special problems which will be discussed in a later section.

In many countries today, in Europe, North America, Japan, South and North Africa, co-operation is not the exceptional but the usual way of carrying on agricultural business, banking and insurance. It has not completely superseded private trade. There are usually some private bacon factories or cotton gins, and farmers' co-operatives may themselves make use of the resources of private banks, or re-insure with private insurance houses. Nevertheless, co-operative organisations, primary and secondary, are normally responsible for anything from two-thirds to four-fifths of all the business transacted by farmers. In developing countries they do not control so large a segment of the economy, but their position is already important. They often control the marketing of one-fifth or a quarter of the principal cash crops on which the economy of the country depends, and they are expanding rapidly.

(b) Consumer Co-operatives

The object of consumer co-operatives is to sell to their members food, clothing and other necessities of life, providing only goods of sound quality at reasonable prices. Emphasis is placed on

cash sales, though this is not always a strictly observed practice. Any profits realised on the undertaking are distributed to members in proportion to the business they have done with the co-operative. Many consumer co-operatives have, like the agricultural co-operatives, added services to trade, but these are of a domestic or personal character – laundries, barbers' shops, holiday facilities, restaurants, funeral furnishing, etc.

All mature consumers' movements have set up a number of secondary organisations, notably co-operative wholesale societies, which buy in bulk on behalf of the primary co-operatives and, in many countries, also engage in processing and manufacture, especially of foodstuffs. Most have an educational, consultative and advisory centre, which also represents the movement to the government and the public. Many have set up their own banking and insurance institutions.

The consumers' co-operative movement is particularly strong in the long-established industrial regions of north-western Europe, where it originated more than a century ago. It has been adopted in communist countries, where it is less spontaneous (though sometimes based on a pre-communist voluntary organisation) and much more closely integrated in the national economic plan. In a few countries consumers' co-operation originated in villages rather than towns, and is today equally well established in both. This tends to occur in countries where the rural standard of living is high and farmers produce for the market and only to a limited extent for their own subsistence. Consumers' co-operation has had only a rather limited success in continents other than Europe, though exceptions could be quoted. It can be argued that conditions are not yet ripe for this particular development.

(c) Urban Thrift and Credit Co-operatives

This began in Germany in the last century and has had great success in several European countries, in North America, Malaya, and in India. It differs from rural co-operative credit in several ways. The primary co-operatives are usually larger and have more the character of district banks. The source of funds is in almost every case the deposits of members and others. Loans may be either for 'provident' purposes (for domestic capital expenditure or for emergencies) or for investment in small businesses (stock-in-trade, tools, raw materials).

(d) Housing

Co-operative building societies, so-called, have existed for many

years. They attract the capital of small investors, which they then lend on mortgage for the building, buying or reconditioning of houses and sometimes other property (e.g. co-operative premises). In comparatively recent years there has been a rapid development in housing co-operatives, that is societies which actually build houses or blocks of flats for their members, recovering the cost from the member over a long period, usually about 20 years. Many of these were formed to meet the demand for houses in war-devastated Europe, but there are also notable examples in India and Ceylon and in Australia for the accommodation of recent immigrants. Apart from the examples quoted, they have only recently made their appearance in developing countries.

(e) Fisheries

These are important in the countries where fishing is a major national industry (Norway, Sweden, Japan, Canada) but examples can be found in many other countries. The range of activities is almost as wide as in agriculture, though the scale of operation is usually smaller. Co-operative ownership of boats is comparatively rare, but many countries have co-operative credit societies, sometimes with regional and national banks, lending for the purchase of boats, engines, nets, gear. Fishery requirements, including nets, fuel oil, ice and salt may be provided co-operatively, and ice and nets at least may be co-operatively manufactured.

Perhaps the major co-operative service is in the marketing of fish, which may be on a purely voluntary basis or may be reinforced by the granting of statutory powers, through a national marketing board (as in Norway and Sweden) or through the establishment of government-controlled central fish markets (as in New South Wales and Hong Kong). Marketing may be associated with processing, which may take the form of preservation by freezing, canning and other methods, or of complete transformation into commodities such as fishmeal and oil.

The insurance of fishing vessels (latterly extended to engines) is one of the oldest forms of co-operation. Other services include the improvement of harbours, slipways, etc., the establishment of radio stations, the operation of transport or fish detection vessels. Most of these services are connected with sea-fishing, but co-operation has also been applied to the management of lake and river fisheries and to stationary enterprises such as the exploitation of oyster and mussel beds.

(f) Industrial Production

The possibilities of co-partnership, the self-governing workshop, the co-operative organisation of light or village industries made possible by rural electrification, have often been advocated and have found practical form in some countries. Co-operatives of industrial producers, however, have never attained the importance relative to other forms of enterprise, which has been won by co-operation in the fields of agriculture and distribution. Capital accumulation, the search for markets and labour discipline in a democratically controlled organisation appear to have been the principal problems inherent in this type of co-operation. With a few striking exceptions, in which success has been wholly due to the members themselves, enterprises of this kind usually owe a good deal to government loans and government contracts.

Among organisations of some importance in this field may be cited the so-called 'cottage industries', mainly in Asia, in which work, usually weaving, is done in the member's home, but the raw material is supplied and the finished product marketed by the co-operative; associations of builders and other constructional workers who tender for contracts offered by governments and local authorities and are frequently eligible for loans to cover working expenses (Europe, principally Italy and France); transport co-operatives formed by the owners of lorries, taxis, barges, etc.; rather less frequently, light industries, demanding high skill but relatively low-cost equipment, such as printing and shoe-making.

(g) Forestry

Co-operatives concerned with forestry (characteristic of Northern Europe, Japan and a few other countries) are of two kinds. In the first, owners of woodlands (who in northern forest countries are often small farmers) combine for the joint acquisition of machinery, the marketing of timber and the replanting of cleared land. In the second, co-operatives of forestry workers, constituted in the same way as those of the constructional workers mentioned above, lease forest concessions from the state or local authorities and make themselves responsible for the felling, conversion and marketing of the timber.

3. Financing Co-operatives

As co-operatives are, almost by definition, formed by men of small means, peasant farmers, industrial workers, fishermen, small traders and craftsmen, it may be asked how capital has been accumulated for the massive undertaking which exists

today. In Europe and North America, broadly speaking, this has been a work of slow accumulation over the years. Members' share capital, in some cases their joint and several liability for debts; deposits; the retention of profits in the form of revolving funds; a steady allocation to reserves and generous depreciation of property have carried co-operative organisations through to their present state of development.

This is almost universally true of consumers' co-operatives. The development of agricultural co-operation, however, in several countries (including France, Sweden and the United States) has been assisted, especially during the depression of the nineteen-thirties, by the establishment of banks, partly controlled by government and using governmental or governmentally guaranteed funds, which have been lent to co-operatives either for re-loan to their farmer-members, for the establishment of co-operative plant and premises, or for working expenses, including the holding of crops in store. Capital loans obtained in this way have in most cases been paid off long ago, but the banks, often now co-operatively financed and passing increasingly under co-operative control, may still be a source of short-term money.

In developing countries the opportunities for creating a financially self-sufficient co-operative movement are obviously less. Not only are individual members' resources smaller, but habits of thrift and the tradition of capital accumulation for a distant objective often do not exist. In many of these countries, therefore, much greater use has been made of state aid, in order to get co-operative enterprise going on an economic scale and in a sufficiently short space of time to satisfy aspirations for rapid progress. Loans may be arranged through marketing boards, through specially constituted banks or through existing commercial banks on government guarantee. In at least one country (India) government may take shares in the larger co-operative undertakings. Measures of this kind have undoubtedly made for quicker co-operative development than would otherwise have taken place, but they require careful supervision if they are not to risk financial irresponsibility on the part of recipients and lenders alike.

4. Government and the Promotion of Co-operatives

Co-operation in its original form was a free and spontaneous movement. It owed nothing to government and its participants were usually anxious to avoid any form of state control. In the countries where it plays the most important role today, it has

remained part of free economy, and government control has been cut to the barest minimum.

In most countries there is a co-operative law, which provides, in one way or another, for the registration and regular auditing of co-operatives, for the drafting and observance of co-operative rules, for formal liquidation and for the possibility of enquiries into irregularities. This has been found sufficient to safeguard growth and efficient functioning in economically developed countries.

In the less developed countries a beginning was usually made with similar permissive legislation, but in most it was soon found that the idea was too new and the knowledge of business methods and business ethics too elementary for the development of a spontaneous co-operative movement strong enough to make a real contribution to the economy. The outcome has been the expansion in most countries of Africa, Asia and Latin America of government departments, originally intended to do little more than record the formation of co-operatives, into services for the promotion and supervision of co-operative development. In Asia and Africa these were in many cases initiated by colonial or mandatory powers, but they have been carried on and usually considerably strengthened under the independent national governments which have since come into power, and though much effort has been expended in building up non-official co-operative leadership and management, the co-operative department is often still the mainspring of the organisation.

5. Difficulties

The co-operative form of organisation makes certain demands on those participating:

- 1** Willingness on the part of members to accept forms of economic self discipline; e.g. to practice thrift, pay cash for purchases, deliver produce punctually and of standard quality, etc.
- 2** Ability to elect and support intelligent and honest managing committees and to appoint and adequately reward competent and honest staff.
- 3** Loyal support of the organisation in the face of initial disappointments, temptations and occasionally threats.

In some countries these demands can be met by ordinary people without assistance. Elsewhere some outside agency, usually a government department, must give its support in the form of (a) legal and technical aid or (b) finance.

Co-operative failures on a large scale have been rare. Local societies may collapse, usually as a result of human failure to

meet some of the demands listed above, occasionally because the economic need for a co-operative to fulfil a particular purpose was initially misjudged. In most cases failures are repaired by the formation of a new co-operative or by extending the operations of a successful society to cover the area where a failure has taken place.

The only instances of widespread failure on record have resulted either from too rapid and ambitious development presenting too broad a target to particularly harsh competition, or (in rather more instances) to lack of financial guidance coinciding with a general economic depression.

II. Co-operation and Agriculture in Developing Countries

1. The Problem of Increasing Agricultural Production

Most developing countries depend primarily on agricultural production. Even if they have mineral resources or growing industries they still depend on their own agriculture to feed both the rural and the growing urban populations. Very few are in a position to pay for food imports from other countries. In most such countries, not only the non-food producing population, but the population in general, is increasing rapidly, and even if the food situation is satisfactory today, it may not be so for many years longer. The standard of living is also rising, and the demand for a more varied diet already exists. Many countries, moreover, are virtually without natural resources other than agriculture, and depend for foreign exchange and taxable values on the production of export crops.

There is, consequently, an urgent need in all these countries to conserve and improve the level of food production, and to push ahead with the production of cash crops for export. In most countries this is by no means an inevitable trend. There are, indeed, factors working in the opposite direction which, if left unchecked, might result in a decline rather than a rise in production. This would be disastrous for many countries now entering this stage of political independence.

The obstacles to sustained agricultural progress are not the same in all countries. In some, population is already pressing on the limits of cultivable land, which can only be pressed back, if at all, by costly irrigation schemes. Where the rural population is dense beyond a certain point, holdings may be used entirely to produce food supplies for the occupying family, leaving virtually nothing for the urban population or for the production of industrial or export crops. This is the case on many holdings in India. In such conditions there is little opportunity to retain soil fertility through the rotation of crops, and no resources with

which to intensify production through the use of fertilisers or better seed. A solution will probably only come as more of the population is drawn off into industry or (in some countries) when new agricultural areas can be opened up to settlement, sometimes only after costly reclamation.

In other regions the land available is adequate but methods are primitive, and yields, for a number of quite well-understood reasons, remain needlessly low. In some cases methods may not only be low-yielding, but actively destructive of accumulated soil fertility, leading to erosion or the exhaustion of soil nutrients by repeated cropping. Shifting cultivation may be practised which may conserve fertility but calls for enormous reserves of cultivable land, only one-tenth of which may be in production at any one time.

In many countries, for example in Africa, food production on an unambitious level may be easy, but commercial crops are more difficult and demand higher standards of care, more work and more capital expenditure. Such crops will only be produced in steady and increasing quantities and to acceptable standards of quality if the economic incentive is adequate. In many countries these crops – tea, rubber, sisal, to a lesser extent sugar, coffee, tobacco and pyrethrum – have been produced on large, often European farms. If these farms are transferred to or divided among local peasant holders, quality may fall owing to less efficient management, and if, in consequence, markets decline and production becomes unprofitable, the crop itself may be partly or wholly abandoned. Even if this does not happen, national and personal revenues fall.

In some countries the existing system of land tenure is itself inimical to agricultural improvement. Land may be held on systems of tenancy or share-cropping by which virtually all gains accrue to the landlord. Holdings may be so heavily fragmented through inheritance and the practice of dowries, that no sort of land improvement or investment can be contemplated. These conditions apply in many Asian and some South American countries. In many (though not all) African countries there is no clear title to land. It belongs to the tribe or clan, and the individual only enjoys usufructuary rights. It may also descend on a matrilinear system so that the continuity of father-to-son cultivation and planning has no chance to develop. In such countries actual cultivation is generally carried on by hired, usually seasonal and often migratory labour. At present the supply is adequate, but this may not always be the case.

Most of the above applies to the production of field and tree

crops, but there is also the question of livestock. In most developing countries (with a few exceptions) livestock is inadequately used in the farm economy. Little attention is paid to breeding, feeding or protection against pests and diseases. In some countries a rational system of livestock management is retarded because cattle are regarded either as symbols of wealth or objects of religious veneration. Even where this is not the case, livestock is usually kept for domestic use only, or is herded in semi-nomadic conditions too remote from markets to produce any real economic return. Livestock products, meat, milk, wool, hides and skins, eggs, poultry and feathers, either do not come on the market at all, or do so in a state which brings no adequate return to the producer.

2. The Co-operative Contribution to Progress

The technical problems of tropical agriculture have now been the subject of research and experiment for a number of years, and though doubtless further advances will be made, enough has been established to show what can be done to raise production above the basic level which exists at present. Progressive farmers of all races are already making their mark. The problem is to secure the adoption of the necessary measures by the general mass of peasant cultivators. This is partly a matter of communication, but it is also linked with incentives on the one hand, and ways on the other. Under all three headings, co-operation has an important, perhaps a crucial part to play.

(a) Marketing

(i) *Field Crops*. Since experience has shown that communication alone is not enough, and that ways and means (the offer of a loan, for example) may not by themselves induce the peasant farmer to change his methods, it is probably necessary to begin with the incentive. This, the marketing co-operative provides perhaps more effectively than any other agency. Its aim is to offer a steady market at the best price obtainable. If prices are subject to government control, the co-operatives are there to see that the interests of the growers are as well cared for as those of other sections of the community. If the price is an open market price, a co-operative system controlling a substantial part of the crop has both the necessary weight on the market and can employ sellers of sufficient ability to influence prices in its own favour.

The advantage to the grower does not derive only from price. In many countries buying by private merchants or their agents from peasant farmers is subject to a variety of abuses, from false

weights to advances of money at usurious rates of interest. These abuses the co-operative is designed to eliminate. It also gives the grower every incentive not only to produce, but to produce crops of good quality. It buys on grade and pays differential prices. It gives instruction on the preparation and packing of produce in such a way that quality is conserved, and again it sees that the producer receives the reward for his extra trouble.

The marketing co-operative is also in a position to link technical change to profitable marketing by stocking and distributing on favourable terms the fertilisers, pesticides and tools needed for better production. It can, if necessary, arrange an advance which enables the producer to acquire them. Facilities of this kind and the direct gain from selling the increased or higher quality crop to the organisation which has supplied the auxiliary material, usually form a more satisfactory way of communicating the desirability of using fertilisers or pesticides than is the simple advice of agricultural extension workers who cannot, as a rule, supply the material and certainly cannot provide a market for the crop.

Co-operative marketing of major crops is already in being in many African countries. In Asia it came later than co-operative credit and has only recently become of much importance. In South America it is probably more important among large farmers than small. In all the developing countries there is need to extend the organisation in two ways. The number of producers included and the volume handled need to be increased if the organisation is to enjoy the advantages of large scale operation, influence on the market, economies in handling and transport and expert management. Given the democratic basis of co-operation, this means building up the federal structure and so adjusting the delicate balance of authority between local and regional organisations, that the regions have sufficient control to ensure technical efficiency without so reducing the status of the village societies that they lose interest and cease to be bodies capable of effort and initiative on their own.

With the increase in scale of operations should go an elaboration of the service given to members. The mere bulking and sale of untreated produce is not as a rule very profitable. It may by-pass some buyers' rings and eliminate obvious malpractices, such as the use of fraudulent weights and measures. Most field crops, however, pass through a number of processes, grading, cleaning, packing and repacking, decorticating, curing, crushing, milling, ginning, fermenting, transporting, etc., etc. Each of these processes carries a margin of profit, and the more processes which the

co-operative system can control, the greater the return which it ultimately makes to the producer. It may also be able to stabilise prices more effectively if it can keep surpluses off the market by providing alternative uses or outlets.

Much progress has already been made on these lines in developing countries, though it has often required a government or government guaranteed loan before co-operatives in India or Africa have been able to acquire their own sugar factories or cotton ginneries.

Co-operative processing, especially if it takes place near the producing area, makes possible the use of by-products in local agriculture, in particular the use of waste materials as fertiliser, and residues of oil-seed crushing as cattle food. This does something to counteract the heavy drain on soil fertility involved in the continuous export of agricultural products.

Another factor of importance is the relation between co-operatives and the marketing boards which in many developing countries have been set up to control the sale of nationally important crops, especially those going for export. A marketing board which is convinced of the value of co-operatives as a means of stimulating production and improving the quality of the product, may do much to aid co-operation by arranging loans to co-operatives either for capital development or to finance the movement of crops. It may, wherever possible, use co-operatives as its agents, even make them its sole agents, or at the least put no obstacle in the way of the transfer of an individual producer and his crop from a private buyer to a co-operative. There are boards, however, which regard it as their duty to hold the balance evenly between private and co-operative enterprise, and in so doing freeze a state of affairs which would otherwise change fairly rapidly in favour of the co-operatives. Occasionally a board deliberately withholds agencies from co-operatives, which find themselves precluded from handling major national products. Such situations are due for re-thinking and may alter fairly quickly.

Another situation calling for mutual adjustments is that in which a part of the crop is produced on a few large estates and the remainder on large numbers of peasant holdings. This is sometimes met by allowing the large undertakings to join the co-operative at regional rather than at village level, the production of an estate usually equalling that of one or more primary societies and the facilities for grading, packing, transport, etc. being at least as good.

(ii) *Livestock and its products.* In temperate climates the processing

and marketing of livestock products was the first and has often remained the most impressive form of agricultural co-operation. In the developing countries of the tropics, this field of marketing is co-operatively, and usually economically, much less important than that dealing with field crops. It is also much more difficult. The quality of most tropical livestock; the diseases to which it is subject; religious and social inhibitions; the difficulties of handling highly perishable products in a hot climate; the low purchasing power of buyers on the home market, all work against an easy advance. A beginning has none the less been made in a number of countries, the principal products handled being milk and eggs.

The consumption of milk (cows' and buffaloes') is rising in both Asia and Africa, especially among the town population above the poverty line. Milk is also used in considerable quantities in public institutions, schools, hospitals, prisons, etc. Demand has been reflected in increased interest in dairy cattle on the part of farmers. This may show itself either in more attention to breeding, feeding and shelter, or in the importation (e.g. in East Africa) of good milking strains, generally of European origin.

If this interest is to be materially rewarded and the consumer is at the same time to be protected from the risks of adulteration and contamination, a system of co-operative handling and control is required, and has in fact been adopted in India and elsewhere. Milk is usually collected from the village and various devices are adopted to prevent adulteration. It is brought to a central (urban) depot and distributed, usually after pasteurisation, by one of several methods, which safeguards it once again from adulteration or contamination. As the flow of milk tends to be seasonal, depending on available pasture, there is usually a surplus at some time of the year which the individual would be unable to put to any profitable use, but the co-operative can be equipped to convert into butter, cheese or other products (condensed and dried milk, casein and plastics all require to be produced in larger volume than has so far been possible in the tropics, but they remain possibilities of the future, already realised in co-operatives in Europe and America).

Cattle yielding at least small quantities of milk are often kept by herdsmen in remote, possibly mountainous districts, far from any consuming centres for liquid milk. In Europe, and more infrequently elsewhere, such milk may be made into cheese. In tropical countries, a useful alternative is the manufacture of

ghee, which withstands heat and has a good market among Asian populations.

The economics of cattle-keeping are not based on dairying alone. In Africa, in particular, large herds of cattle roam the dry central plains, many of them eventually sold for meat after a march of perhaps hundreds of miles to the consuming centres on the coast. Nothing has so far been done to improve the quality of the meat or bring a better return to the owners by arranging co-operative transport or slaughtering on the spot, perhaps after a period of conditioning on artificial pastures, and dispatching the carcasses frozen, or even canned, to urban markets or for export. Such developments might prove impracticable in any given case, but they have never yet been seriously examined in Asia and Africa, though co-operative precedents can be quoted both from North and South America. Carried out on a reasonably large scale, co-operative slaughtering makes possible the use of by-products and the manufacture of commodities such as bone meal, through which, as in the case of vegetable wastes, some of the valuable mineral contents of the soil can be restored to it.

The co-operative marketing of hides has already been attempted in the tropics, with rather limited success. The hides in these cases were from home-killed cattle, and apart from the fact that they were home cured and so of uneven quality, most were too much damaged by warble-fly or similar pests to be worth the cost of expert handling. In this case co-operation must obviously start further back, with the protection of livestock against pests.

Developments of the kind outlined in the last two paragraphs are obviously not applicable, at least in the foreseeable future, to India or in general to Buddhist countries. In India, the cattle problem appears, from an economic point of view, insoluble, and is certainly not one which will yield to co-operative treatment. The estimate of personal standing by reference to the number of cattle owned, irrespective of their quality, which is found in parts of Africa, seems more likely to yield in time to economic realities.

Co-operative egg marketing is not in itself difficult, but calls for a certain discipline in regular and frequent collection from members, prompt dispatch to a central depot, examination and rejection of all defective eggs, and the maintenance of regular supplies to retailers or exporters. It has been carried out successfully both in Asia and Africa, sometimes by 'Egg Circles' made up entirely of women; but it is still a pioneering venture of a few societies in a few countries. The marketing of table poultry is at a still earlier stage in most tropical countries, but has distinct

possibilities, as the experience of the temperate continents has shown.

Sheep and goats, generally of nondescript quality, are commonly kept in tropical countries, and are used domestically, or at least locally, for meat. Little use is made of the wool or mohair produced by peasant farmers in most countries, but at least in one (Basutoland) these commodities have been successfully marketed on a co-operative basis. More could be done elsewhere, though in most cases it would call for a grading-up of flocks.

The improvement of livestock in all these countries requires not only better breeds, but much more attention to and expenditure on feeding and protection from pests and diseases. This may mean the establishment of artificial pastures, or the retention in the country of protein-rich feeds, like the oil-seed residues. It may mean increased use of chemicals for dipping and spraying, of veterinary preparations or of fencing materials to keep cattle in uncontaminated areas. The availability of all these things at reasonable cost depends to a considerable extent on their provision through a co-operative rather than a commercial channel.

(b) Credit

It has already been noted that marketing co-operatives frequently make advance payments to their members. These may be merely cash payments for crops delivered, which the co-operative will not itself be able to sell for some weeks or months. More frequently they are, in fact, short-term loans, made perhaps three or four months before harvest. Nominally, they are intended to cover the expenses of harvesting, but the offer of a loan is often dictated more by the custom of the trade than by strictly economic considerations. A co-operative in good standing, especially if it is a member of a federation, can usually cover such advances by a loan from a commercial or in some cases a governmental bank.

In countries like India (and many European countries) where a co-operative banking system based on village thrift and loan societies preceded co-operative marketing, this procedure is not followed. Instead, the cultivator goes direct to his village bank, states the amount and purpose of the loan required, offers personal or material security and, if his request is approved by the committee, receives the loan in cash or as an order for the supply of seed or fertilisers from a co-operative store. He repays after the harvest either in cash or by authorising the marketing co-operative to offset money due to him for his crop against his debt to the credit co-operative.

This system has been matured over many years and functions with great success in Europe and in some Indian states. In both cases the organisation was carefully guided in its early stages and stress was laid on thrift and private investment, if not at the village level then at the level of the regional bank. It must be admitted that where this care has been lacking, and where public funds have been too easily made available, the Indian credit co-operatives found themselves faced, during the slump of the nineteen-thirties, with uncollectable debts, and sometimes collapsed under the strain.

Although these dangers exist, the co-operative credit system, properly handled and safeguarded, holds out great advantages. It is in fact now being rapidly expanded, with government backing, in India. It has been long established in Cyprus, Mauritius and parts of North and West Africa. It is now due for extension to other parts of that continent. Among its advantages over the simple crop advance by a marketing society, are that it inculcates thrift and so encourages capital accumulation by the individual of modest means. It also makes possible the productive use of savings which might otherwise be converted into ornaments in India or buried under a banana tree in Africa. The aggregate of small savings accumulated in this way may reach a remarkable total and may enable a co-operative bank to lend entirely from its own resources, or at least provide a solid base from which the bank can borrow peak season funds from other sources.

Another advantage of the credit society is that the purpose for which loans are given need not be tied to the production of a particular crop. As farming becomes more complex and technically advanced, the need for capital outlay of various kinds will steadily increase. Any loan required for these purposes should be based on the general repayment capacity of the farm rather than on the fortunes of a single crop.

Loans made by village credit co-operatives are generally for periods of not more than one year. Any longer period would be imprudent, since their resources usually consist of the sight deposits of members and others. However, farmers today, even small farmers in developing countries, have an increasing need for loans at longer term in order to meet capital expenditure. This may be in order to buy additional land, to sink a well, instal a motor pump, plant a tree crop which will not come into bearing for 3-4 years, rebuild a primitive farmhouse, acquire well-bred cattle or poultry and fence land for their accommodation, build a milking shed or buy a tractor. All these are perfectly

legitimate and indeed desirable forms of expenditure for which a loan would probably be recommended. In some cases it may be legitimate to make a loan to a farmer in order that he may pay off, once and for all, a load of usurious debt which he may not even have contracted himself, but may have inherited from his father. All such loans, however, could only be repaid over 3-10 years.

Medium to long term loans may be granted by a strong regional bank, either directly or through a village credit co-operative. They will more often be referred to a co-operative land mortgage bank which specialises in long term loans and derives its own funds from long term sources, including government guarantees and the sale of debentures. Such banks are well established in Europe and in India. Their introduction in many parts of Africa is impeded by the absence of firm title to agricultural land and the lack of even a land survey which would establish at least the present occupation of land for agricultural purposes. Where private ownership exists, as in Buganda or the land consolidation areas of Kenya, the way is open to further capital development of land financed by mortgage loans.

(c) Supply

So far this has been treated as a service provided by marketing societies for their members, and this may indeed be the position where agricultural requirements are confined to one or two bulk articles and a very limited range of hand tools. This method of supply is simple and safe, but with the development of mixed farming and more advanced methods, it becomes inadequate. Members expect their co-operative to carry an 'inventory' which, however modest by the standards of Western Europe or America, is still too complex to be controlled by a part-time secretary whose proper job is to record deliveries of sugar cane or cocoa.

The development of co-operative stores carrying a wide range of agricultural supplies, feeding stuffs, fertilisers, seeds, chemicals and pharmaceuticals, fencing and building materials, tools and machinery, fuel and lubricants, agricultural hardware, work clothing and many other items, has reached an advanced level in Europe and North America. There are co-operatives of this type in India, generally on a regional basis. In Africa they are usually to be found in regions where there are farmers of European origin, though the co-operatives themselves may be multiracial. The pattern will undoubtedly extend in time to other countries, but it is not one which can be hurried. The demand for the

requirements of technically advanced farming must come first, as must the ability to pay.

In a few countries, mostly in Europe, the sale of agricultural requirements is combined with that of consumer goods. This cannot be regarded as suitable for developing countries, even though it has been attempted in rather special circumstances in Ceylon and on a small scale elsewhere. The whole question of consumer co-operatives in developing countries will be discussed in a later section. It need only be said here that the tropical peasant farmer is almost invariably self-sufficient in basic food-stuffs. Apart from a few necessities, like kerosene and matches, the goods he buys from a shop are in the nature of minor luxuries, a form of trade too risky for any but a large, long established and experienced co-operative. Moreover, the two branches of trade, agricultural and domestic, involve quite different problems and risks, and a failure in one department may easily destroy the valuable service built up in the other.

(d) Agricultural Services

This term is used to cover a variety of co-operative undertakings which aim at improving the position of the farmer but do not take the form of trading or banking. Experience drawn from the world in general has brought to light some two dozen different types of service co-operative. Their objects include accountancy for farmers; cattle barns; container manufacture; cold storage; crop drying; crop protection; electrification; frost protection; fruit picking; herd testing and milk recording; insurance; land clearance and improvement; lime production and spreading; livestock breeding; machinery using; milling; pasture improvement; peat litter production; rain making; seed growing; sheep shearing; snow clearance; social services; technical guidance and research; telephones; transport; veterinary services; water supply and control; workers' camps and recruitment. Some of these are carried on by co-operatives specially formed for the purpose, others are among the services provided by a marketing, supply or 'general purposes' co-operative.

Obviously some are of no interest to tropical peasant farmers, or will only become of interest in a fairly distant future. Some, however, would fill a real need and present no particular difficulties. Some are already in operation in one country or another. Among the inapplicable items are no doubt frost protection, snow clearance and rain-making (perhaps needed but enormously costly). Electrification, telephones, domestic refrigeration and farm accountancy should probably be referred

to the future, though the need will come in time. Co-operative cattle barns belong to cold climates, though co-operative milking centres are well established in India and are justified from the point of view of hygiene.

One group of services is probably better associated with marketing or other co-operatives than carried on independently. Containers for the movement of crops (boxes, bags, nets) can often be manufactured from local materials, and in some countries this is already done by the marketing societies. It may be that enquiry would show that it can be done more widely, and that it would result in economies in cost (containers are always a heavy drain on co-operative resources) and provide some local employment. Crop drying, if it is required, is usually part of the process of marketing. Crop protection may be taken in two senses. It may mean the application of chemicals, and if this calls for powered sprayers, it may be one aspect of the joint use of machinery. It may, however, mean the protection of standing crops against wild animals or human marauders, and as such is a well-recognised co-operative activity in a number of Asian countries subject to such hazards.

Herd testing and milk recording are part of the techniques of modern dairy farming and may be carried out by the co-operative which markets the milk or by an organisation formed especially for that purpose. Milling may be a stage in marketing, but Malaya and other countries have had considerable success with small co-operative rice mills, which provide for local needs and save women from the traditional drudgery of hand milling. The growing of superior planting material generally begins in a government experiment station, but in many countries it is usual to arrange for the 'growing on' of tested material through co-operatives, the actual growers being carefully-chosen farmer-members with suitable land and sufficient skill for the purpose.

Technical guidance in agriculture, if given at all, usually accompanies the granting of loans, the supply of agricultural requirements or the marketing of crops, and is the more effective for being discreet. Some large co-operatives do, however, go further than this and carry on a certain amount of scientific testing or even a modest programme of practical research. The work usually takes the form of soil testing for the application of fertilisers, analysis of compound feeding stuffs, sometimes the testing of farm machinery, and sometimes the running of experimental plots, in which new strains are tried out. Little work of this kind has so far been reported from developing countries, but there is no reason why it should not be initiated, provided

that the organisation is large enough to employ qualified personnel and that men with the right training are available. For some years to come, however, they are likely to be scarce and readily snapped up by government departments and colleges.

There remain a group of activities, all of some importance, which, if the time is ripe to initiate them, should be the task of a specialised co-operative rather than a subsidiary activity of one already in operation.

One of the most important for all arid countries is the operation of irrigation schemes. The boring of a well or the installation of a pump to serve a single farm may be undertaken by a general purposes co-operative which ceases to be concerned with its working as soon as the installation is completed and paid for. Any scheme involving a group of farmers all using the same source of water, must be of a co-operative character. Capital must be subscribed or responsibility for loans accepted. Someone must be in charge of pumps, wells or sluices and must be paid for his service. The water must be equitably shared, and there must in most cases be a contract entered into by each user to accept and pay for a minimum quantity. Payment must be secured and used to meet expenses and amortise equipment. Channels and installations on members' own land must be kept in good order.

Co-operative irrigation societies are widely distributed throughout the arid regions of the world, and the idea is very ancient, probably going back to prehistoric times. In an age in which river control, the construction of dams and the reclamation of marshes is becoming important in many regions which have no tradition of shared water supplies, much attention will have to be given to devising schemes which are efficient, equitable and as far as possible, simple and self-regulating. If this is not done, the major work of dam building may bring little advantage to the small farmer because the field-by-field distribution of water is inadequately organised. There are countries in which this complaint is already being heard.

The more costly forms of irrigation by overhead spray may call not only for joint ownership of the apparatus, but for an agreement on the planting of crops, so that it can be used to the best advantage. This will be discussed further in a later section. Co-operative organisation for land clearing, reclamation and improvement, including measures against erosion, is also perhaps better considered in another connection.

The joint use of agricultural machinery is often regarded as an ideal subject for co-operative organisation. The use of machinery, especially tractors, is looked upon as an obvious advance on

existing methods of cultivation, and, since most farms in developing countries are too small to make the ownership of a tractor economic, the natural conclusion is that there is a case for co-operative ownership.

In practice, the difficulties are much greater than they appear, and the gains less. Cultivation by tractor does not in itself produce higher yields in most circumstances. It may even be disastrous where the fertile topsoil is thin, and breaking through the underlying hard pan merely causes loss of moisture. The allocation of tractor time among members, when the cultivating season is short, obviously raises difficulties. Many farms are very small, awkwardly placed, or difficult of access (no hard road, sharp gradients, terracing or banks round ricefields to be surmounted). The members of a tractor co-operative probably do not live in a compact group, but scattered, and the tractor loses time and suffers damage travelling long distances on bad roads. Drivers must be supplied, and they should be, but rarely are, good mechanics, who can do running repairs and be trusted to service adequately all the machinery in their care. Major repairs, and the stocking of spare and repair parts must be entrusted to some central depot perhaps owned by a federation of tractor co-operatives. It will be expensive to run, and again involve much travelling on bad roads for the vehicles to be repaired.

Agricultural machinery co-operatives had a brief vogue in Europe after the last war, when tractors and attachments were hard to get, but for many years now, the trend has been towards individual ownership by farmers. The machines may in many cases have been bought from a co-operative supply organisation which also undertakes servicing and repairs. This would appear to be the most hopeful line also in the developing countries. In this connection particular interest attaches to the work which is now being done in perfecting various types of walking tractor for use on tropical crops. The pressure for mechanisation is likely to come when farm labour becomes scarcer and dearer than it is at present, and it will be well if an implement is then ready which exactly suits the needs of the individual small farm, and can, if necessary be taken for repairs in the back of a lorry. There will still be use, but a much more intermittent use, for the heavy tractor for tasks such as land clearance and reclamation, for which it is especially suited. Here there is a much stronger case for co-operative ownership and service on contract.

Co-operative insurance of general and agricultural risks hardly exists in developing countries, but it has a long history elsewhere, and the time may well have come for a modest beginning. The

most promising field would seem to be the insurance of quality cattle. These, where they have been introduced, are costly investments, often made with the help of a co-operative or other loan. They are valuable enough to repay veterinary care and their loss is a serious matter. The most suitable type of scheme involves first the insurance against death of all cattle of this grade owned by the member, and secondly, a payment covering all veterinary attention required during the year. A scheme of this kind has operated successfully among small farmers in Israel for many years.

Crop insurance against drought, locusts or storm damage has been carried on co-operatively in a number of countries, but depends for its viability on a very wide coverage, easy inspection of losses and a knowledge that the incidence of risk in any one year is limited. In tropical countries the second and third conditions are probably at present unattainable, and the first could only be secured by a compulsory scheme, which could only be applied by government, though it could possibly be administered through co-operatives.

Fire insurance for farmers is not appropriate in countries where houses and buildings are lightly constructed and easily replaced and crops are not usually stored in quantity on the farm. There is, however, scope for the insurance of co-operative property, plant and premises, produce in store, stock-in-trade and vehicles, as well as for other types of business insurance, such as employers' liability and fidelity bonds for staff. This was the starting point of co-operative insurance in many countries, and the organisations set up to deal with this type of business were later in a position to sell fire and automobile insurance to individual members.

The breeding of superior livestock in developing countries tends at present to be an activity of government experiment stations and similar institutions. As good stock becomes more widely distributed, it may be that the European system of co-operative breeding stations, generally today using the method of artificial insemination, will be adopted.

The co-operative organisation of agricultural labour scarcely exists at present in developing countries,* except in the form of consumer co-operatives among the workers on tea estates in India and Ceylon, and thrift and credit co-operatives among migrant labourers on rubber estates in Malaya. In a few countries in Europe and America, where farmers employ seasonal labour

* An experiment is now in progress in the Ivory Coast.

recruited in towns or from another country, they have formed co-operatives for recruitment, for the construction of camps and the organisation of canteens. Elsewhere (for example in Italy) labourers have themselves formed co-operatives which make a collective bargain with prospective employers.

Many tropical farms, especially in Africa, depend on migrant labour, which may not always be as easily or cheaply available as it is at present. The frontiers between newly independent countries are closing to migrants, and on the other hand, industrial development and the opening of new land to settlement, will offer alternative and more rewarding ways of making a living. Large estates in tropical countries now employ a considerable labour force, which may be permanent or seasonal. Some of these estates may in future be divided into smaller holdings, but these will not necessarily be distributed to the existing labourers. All these developments may give rise to an agricultural labour problem which may be only in part met by increased mechanisation. There are also countries in which there is in fact a surplus of potential labour in the villages, but where it is not customary for the sons of land occupiers to work on the land themselves.

It may be, therefore, that there is some future for the organised labour-contracting co-operative either of local men or of migrants, and possibly for some corresponding organisation of employers among the smaller farmers who still depend on hired labour.

(e) Land Reform and Land Settlement

During the last twenty years many countries have carried through sweeping changes in the ownership of land. Most of these have been initiated in the name of social justice, though some (in Eastern Europe, for example, or in the Indian Sub-Continent) have arisen through the expulsion of national minorities. In some countries not only has settled farm land passed to new owners, but new land has been reclaimed from forest or swamp and brought under cultivation.

In the land reforms which followed the First World War, large estates were broken into small and medium-sized farms, and the establishment of the new settlers (generally tenants or labourers on the old estates) was followed by a rapid growth of co-operative credit, marketing and other institutions of the kind described in the preceding sections. After the Second World War, however, the changes in land tenure, though even more widespread, took place mainly in countries under communist regimes. Some expropriation of large landowners took place, but in the main, the change took the form of an amalgamation of small farms

into large collectives, in which the former owners became workers, retaining some formal rights to elect committees, but in practice subject to instructions under the national plan of agricultural production, transmitted through local party officials.

Much confusion has arisen through the use of the word 'co-operative' to describe this system. It is true that similar systems (without the elements of rigid national planning and party control), have been adopted on a smaller scale and often on an experimental basis in other countries. Some, like the kibbutzim of Israel, have continued to practice an extreme form of communal sharing in economic and social life over a long period. Others, like the Japanese refugee colonies, reverted to individual farming with co-operative services as soon as the period of reclamation and resettlement was over. In India, this has also happened in many cases, though in certain conditions joint farming on a voluntary basis has been maintained.

The large-scale adoption of collective or so-called 'co-operative' farming, especially in underdeveloped countries like China, has naturally attracted attention, and there is a fairly widespread assumption that though the methods of effecting the change in the Soviet Union or China may have been brutal, the resultant large-scale mechanised agricultural estates must in the long run prove more efficient producers of food, and even provide a better living for those who work on them, than could the small farms which they have replaced. This idea has been promoted by a good deal of skilful propaganda, in which the collective farm is urged on allegedly technical grounds, without reference to communist theory or analysis of the actual experience of communist countries.

In fact, a closer study of that experience shows that the collective farm has been anything but a technical success. In China (where it was for a time merged in the even more comprehensive form of the commune) it has been a catastrophe. In the Soviet Union it is the target of continual official criticism; yields have increased only very slowly over the forty-five years since the revolution (a period of rapidly rising yields throughout Western Europe) and remain low by the standards of most other countries. The use of labour remains inefficient, and the standard of living low. Two communist countries, Poland and Yugoslavia, have abandoned the large-scale practice of collectivisation, and gone back to individual farming, to the great advantage of their production. In other Eastern European countries it is probably less widely practised than would at first sight appear.

There would seem, therefore, no reason to accept collectivisation as a technical necessity and a good many reasons for rejecting it.

The resentment it arouses among those who have to merge their holdings and lose their independence, the rigidity of national planning enforced without regard to local conditions, and the simple difficulty of finding the required number of farm managers really capable, under these conditions, of making the best use of a thousand-acre estate, more than counterweigh any possible advantages of scale.

This does not mean, however, that all schemes of resettlement or redistribution of land need be carried out with the degree of laissez-faire which prevailed after the first World War. These schemes usually succeeded in direct proportion to the education and economic maturity of the peasant farmers concerned, together with their readiness to join or form a network of well managed co-operatives for all their business needs.

In more recent land settlement schemes (in Italy, Egypt, Israel, Kenya), it has been usual to combine individual land-holding with a measure of planning and with the establishment of co-operative institutions, membership of which is, at any rate for a period of years, one of the obligations of those taking up land under the scheme. (It should be noted that in all these schemes, settlers are being offered land for the first time. In no case are established holders of land being asked to surrender any of their existing rights.)

The motive behind this measure of compulsion has been slightly different in each case, and the systems adopted have not been identical. In Israel, the problem has been to settle, as quickly as possible, often on previously uncultivated land, and at high capital cost, large numbers of immigrants with no previous agricultural experience, usually differing from one another in language and national background. There was no room for failure, and the early stages of settlement were closely supervised by experienced farmers and carried out on lines which had proved practicable in earlier settlements. Individual holdings are worked by family labour, but there is controlled cropping and compulsory membership of a co-operative for irrigation, mechanical cultivation, marketing, supply and any other services needed.

In Egypt the problem was to transfer great estates in full running order to former labourers and share tenants, without sacrificing their efficiency or risking a fall in production. The proper use of water and machinery and the maintenance of a regular crop rotation were here the key needs. They have been secured by dividing the estate into three cropping areas and giving smallholders a plot in each. Irrigation and mechanisation

are controlled, but not purchase or the marketing of crops other than cotton.

In Kenya compulsory co-operation is limited to the marketing of certain cash crops, the quality of which must be kept high if the national reputation of Kenya as an exporting country is to be maintained. In Italy, compulsory membership of co-operatives lasts only until the purchase price of the new family farms has been repaid to the government. It is hoped, however, that by this time the co-operatives will have become a natural and indispensable part of the economy of the region.

Schemes of organised settlement on such lines as these are well worth study in other developing countries, but it should be emphasised that they are all costly, and that the closer the control and the more numerous the institutions set up, the greater the need for trained men in considerable numbers, to run the undertaking until the settlers themselves can take over responsibility. In the countries named above, such men have been available, but this may not be the case in all developing countries.

Various schemes for the joint use of land for specific purposes or for a limited period have been tried out in different countries, some with local success. These include re-organisation of holdings in such a way that a valuable crop (i.e. tobacco), can be planted in one block, and so make the best use of irrigation, and the planting of tree-crops on previously uncultivated land belonging to a village or tribe. In the latter case, trees are often allocated to each family as soon as they come into bearing. There may be other systems of planned settlement or planned extension of land cultivation, which may be worth study and imitation. The essential points are not to weaken the sense of responsibility of the individual farmer, and to realise that an adequate supply of men really gifted in the difficult art of large scale estate management is unlikely to be available in most countries.

3. Urban Economic Development

In this field the main dynamic in developing countries is likely for some time to be provided by government or by large private firms, foreign or indigenous. Power, communications, the extraction of minerals and the establishment of basic industries are not likely to fall, except in very marginal cases, within the field of co-operation. The co-operative movement, in fact, will not, in all probability, create large scale industrial resources or provide mass industrial employment.

There are, however, a number of needs of a personal character, mainly arising from the increasing standard of living in towns,

which can often be met through co-operative organisation. These include better housing; a means of saving money and borrowing to meet domestic crises or capital expenditure of a personal kind; the need for small craftsmen and tradesmen to modernise their methods and secure their position in an increasingly competitive world; the need for better and more hygienic shops; the need for personal insurance and the insurance of property on a small scale.

(a) Housing

In nearly all developing countries population is growing rapidly, and urban population usually more rapidly than rural. In the country, new houses can usually be built of local materials, often by the owners themselves, and in any case cement is becoming increasingly available through co-operative and no doubt private stores. In the towns the position is much less happy, in spite of government housing schemes, and in some cases the houses provided by private firms for their own workers. A co-operative housing scheme for labourers would probably run into difficulties due to the shifting character of the labour force, inability to make even a small contribution to capital, and the lack of business experience among members. There is, however, in most of the countries under review, a growing middle class, civil servants, senior and middle grade employees on the railways, in banks and private businesses who would appreciate and could pay for better houses, perhaps of a less stereotyped kind than those officially provided.

Considerable progress in co-operative housing has already been made in Asia, especially in India, Pakistan, Malaya and Hong Kong. A good beginning has also been made among Asian communities in East Africa. Co-operative housing has been established for many years in the Argentine and several other countries in South America. But it could be much more widely extended, especially in Africa.

In most developing countries, land for building is probably less difficult to acquire and less costly than in, for example, Europe. It is essential that there should be some source of long term capital at reasonable rates, and this may have to be public rather than private. Neither individuals nor existing co-operative movements in developing countries can be expected to put up the full initial cost of a housing project. In East Africa, Ismaili communities can draw on the fund set aside by the Aga Khan for this and similar purposes. In Hong Kong, government funds are available. In some cases large firms may be prepared to make a loan on mortgage to enable their employees to be housed in reasonable

comfort at a charge which the employee can meet without running into debt or other temptations. A housing scheme for civil servants may run into difficulty where it is customary to move men frequently from place to place in the course of their careers, unless some system of interchange or subletting can be worked out. This problem arises less frequently in Europe.

The type of scheme to be adopted (flats or separate houses – whether public amenities, roads, parks, street lighting, drainage, etc. should be provided and controlled by the co-operative or left to the local authorities) depends on local conditions and the wishes of the members. A serious study of existing examples both in tropical countries and in Europe would be valuable, as this is one of the least studied and publicised branches of co-operation, as it is also one of the newest.

(b) Thrift and Credit

In most developing countries, wages and salaries are relatively low. They are paid monthly rather than weekly. Few employees can wait until the end of the first month before incurring liabilities. Indeed, they are encouraged to do so, since shopkeepers give unlimited credit. The result is almost universal indebtedness, inability to save and embarrassment if not disaster in face of any unusual demand on the purse*

A thrift and loan co-operative is designed to meet this situation. The essence of the system is that members agree to make regular thrift deposits, usually by way of an agreed deduction from their salaries, and that they are able to apply to the co-operatives for loans. These need not necessarily be for 'productive' purposes (as in rural credit societies) but may be 'provident' in character, e.g. to meet hospital or educational expenses, pay off old debts or make purchases (a bicycle, furniture, possibly even a car), provided they are appropriate to the general standard of living of the borrower. Long term borrowing (as for the purchase of a house) is generally impracticable, since the funds of the co-operative are based on short term deposits. From this point of view, a loan for a car would be distinctly marginal.

Two variants of the thrift and credit society may be mentioned. One is formed among workers on regular pay, such as civil servants, police, railwaymen, who want to save and also to borrow; or the Indian labourers on Malayan rubber estates, who work away from home and use a co-operative mainly as a means

* Incidentally, this state of affairs makes it nearly impossible to run successful co-operative stores. See below.

of sending money to their families. The other is the co-operative formed by small traders and craftsmen who use it, as farmers use the rural credit co-operative, as a means of financing an enterprise. Both these types usually federate to form national co-operative clearing banks, and so make the best use of their resources.

Most of the Asian urban credit co-operatives derive from Indian models. They are based on unlimited liability,* place a strong emphasis on thrift, and are usually federated in regional or national banks, in which accumulated savings may be re-invested. Many make loans for members' business needs. On the American continent, a similar position is occupied by credit unions. These, like the Indian societies, derive ultimately from a German model, but they have gone over to limited liability, and though now very numerous and commanding great financial resources, have never formed any kind of regional or national clearing bank. They provide loans for personal rather than business expenditure and their lending policy is in general geared to the demands of a high consumption society.

(c) Distribution of Consumer Goods

The outstanding success of the consumers' co-operative movement in Europe and the fact that many co-operators from developing countries have been given facilities for training in the consumer movements of Great Britain and other countries, have naturally attracted attention to this form of co-operation. Those who have ventured beyond the Iron Curtain have also found impressive-looking consumer co-operatives, though their independence and spontaneity may sometimes be open to question.

A number of attempts have been made to transplant this form of co-operation from its original home in the industrial cities of Europe, to other environments, but so far the failures have been more numerous than the successes. A few well-known co-operative stores in Madras, in Buenos Aires and a few other places have existed and prospered for many years. Societies in India and Ceylon had a brief flowering during the Second World War, when they were given the sole right to handle rationed goods, but the Indian societies have since virtually vanished, and the Ceylon societies have declined, in spite of a continued monopoly in some imported goods.

The difficulty appears to be chiefly that the Asian trader, whether he operates at home or in Africa, is a competitor too

* Most co-operative laws provide for registration either with 'unlimited liability' in which members are jointly and severally liable for any debts incurred by the co-operative or with 'limited liability' in which liability is limited to the shares subscribed by each member.

formidable for most co-operatives to meet in their early years. Not only is trade conducted on very narrow margins, but unlimited credit is given, and the business is conducted by unpaid family labour working intermittently from early dawn until late into the night. In some countries the situation is complicated by the presence of numerous street traders (mostly women) who make quick sales in extremely small quantities and have practically no overheads. The running of a consumer co-operative is also more complicated, and gives far more opportunity for petty fraud than does, for example, a one-commodity marketing society.

It is doubtful whether the need for consumer co-operatives in the ordinary town life of developing countries really justifies the risks which must be taken to establish them. Nor does there seem much real demand for them, if demand can be measured by the readiness of members not only to join, but to do all their shopping at their own store. The subject might perhaps be left at this point and reconsidered in ten years or so, when conditions may be different. Another factor, however, enters into the argument. In Africa in particular, there is, at least in politically conscious circles, a growing resentment that African trade should be to so large an extent in the hands of foreigners, whether Asian traders or European importing firms. This is coupled with a belief that the co-operative form of enterprise could be used more easily than private business to transfer this trade to African hands. Hence, one or two projects for building a co-operative consumers' movement from the top down, which still have to prove their capacity for continued development and success. In a few countries (but not in most) this idea derives directly from the observation of affairs in Eastern Europe.

Another aspect of the desire to establish African trade, was the movement, immediately after the Second World War, in favour of African traders' wholesales. It was short-lived, and not much is left except the readiness of some 'consumer' wholesales to sell to petty traders as well as to local co-operative stores.

There are, however, certain types of what can only be called artificially sheltered co-operatives, which have done well, and it may be that development for the next few years should proceed on these lines. These are the co-operatives run in connection with a single factory, railway, tea estate or other concern. Membership is confined to employees; the store is to some extent isolated from competition, and though the co-operative is owned and managed by the member-workers in the usual way, the business experience of the management is often made discreetly available. It may be noted that co-operatives were quite frequently formed in this way

in nineteenth century Europe, though all have now completely detached themselves from the sponsoring firm.

(d) Industrial Production

Many countries need to develop light as well as heavy industries, and many industrial processes can be organised on a relatively small scale. Where individual small capitalists do not arise in sufficient numbers, or where the climate of opinion favours social control even of minor industries, it is tempting to turn to the co-operative system to give form to workers' control through co-partnership or the self-governing workshop. As already noted, this is a difficult form to run. Management and work discipline introduce complex psychological strains. Capital is often hard to get. If the enterprise is small, it may have difficulty in establishing the reputation of its products with potential buyers, and those who find their way to the leadership of small, democratically-run businesses, rarely have the mentality for high pressure salesmanship.

In fact, very few new modern industries have been started or are today conducted by co-operatives in developing countries. What do exist in large numbers are co-operatives formed to preserve traditional industries, sometimes merely to cushion their inevitable decline in face of the machine, but also, more constructively, to bring about their gradual modernisation. Organisation of this kind exists on a large scale in India and Ceylon, principally in connection with the hand-loom industry and is heavily supported by government. It does not, however, in most cases, take the form of co-operative workshops, with their attendant personal and managerial problems. It concentrates on the wholesale purchase and distribution of yarn to individual workers, and the marketing of the cloth. In some countries, including India, State patronage is justified, not only by the need to guard against the sudden disruption of a traditional way of life, but by the desire to preserve a traditional art of real cultural importance.

The co-operative supply of raw materials and tools for modern industry, does not appear to have been attempted in developing countries, though it is well established in Europe in crafts such as tailoring, shoe-making and mending, welding, etc. The form may have possibilities, but would require very careful handling.

The co-operative labour gang making a joint contract with a prospective employer has already been noted in connection with agriculturè. Similar contracting co-operatives may be formed for urban labour, particularly in building, bridging, highway construction, etc. They are not so far numerous in developing

countries, but a few exist, for instances are known where they have successfully carried out building contracts for co-operative housing societies.

(e) Insurance

The introduction of co-operative insurance of agricultural risks has already been discussed. Where an urban middle class grows up with property and a settled plan of life, two insurance needs emerge – for fire and burglary insurance in the home and for some form of industrial life insurance. These may be adequately covered by existing commercial insurance, but they may not. If not, there is a gap to be filled, and it may also be possible to use the educational element and the social pressures of co-operative organisation for purposes of risk prevention. The adjustment of life insurance to the real capacity of the insurer to pay, is likely to be a co-operative concern, and may make it possible to insure some risks which would not otherwise be commercially attractive, and at the same time avoid the scandal of lapsed policies which once injured the good name of industrial insurance in Europe. ;

Re-insurance may be effected privately or through the Co-operative Insurance Society of Great Britain, which provides this service for a number of co-operative insurance societies outside the United Kingdom. Some part of the capital collected in premiums could also, under due safeguards, be used for the development of other forms of co-operation in the country of origin, for example, loans for co-operative premises secured by a mortgage on the building.

4. Fisheries

Fishing takes place in most developing countries, but there are a few in which it is a major industry. Fisherman tend to be a depressed class, illiterate, improvident, and exploited by merchants who supply them with their necessaries on credit and accept fish in payment. Sometimes the merchant owns the boat, or, even if it is nominally the property of the fisherman, it is in fact the security for a debt owed to the merchant.

This looks like the classic situation for co-operative action. In fact, the ignorance and dependence of the fishermen make it very difficult to apply. Various ways of breaking out of the situation have in fact been adopted with some success in developing countries. They have usually involved fairly strong government intervention. In Hong Kong, where fish sales are concentrated in a single large urban market, government established public control over the fish market immediately after the Second World

War, and arranged for the auctioning all fish delivered. Having thus broken the hold of the fish merchants, it became possible to organise local co-operatives for thrift and credit or for the transport of fish to market. In parts of West Africa, government loans for the purchase of outboard motors for fishing vessels are leading on to co-operative supply of fuel as well as to the building of co-operative stores for the safe keeping of motors not in use and for the preservation of fish in ice. Co-operative marketing in this part of the world is often made more difficult to organise, since all marketing is at present in the hands of women traders, usually the relatives of the fishermen, and no scheme is likely to be acceptable which does not find a place – and a profit – for both parties.

A good deal of research is in progress in more than one country into methods of preserving tropical fish for consumption in forms more hygienic than the primitive methods now in vogue. When techniques have been perfected and a product acceptable to the market in quality and price has been evolved, it may be that co-operatives can be formed (as in Europe and North America) to take over the work of curing or canning. There may also be scope for co-operative restocking of lakes and lagoons, and for co-operative measures against poaching and fishing by illegal means. None of these things may be immediately practicable but they should be in the minds of Fishery Departments, as the corresponding forms of agricultural co-operation have long been in the minds of Departments of Agriculture.

5. Forestry

The only country outside Europe with important forestry co-operatives, is Japan, where they are numbered in thousands, with their own regional federations. Most of the members are farmers owning small areas of woodland. The co-operative supplies members with seedlings and undertakes the felling of matured trees and the local marketing of the timber, any surplus to local requirements being sold through the regional federations.

In India (Bombay State) there are fairly numerous co-operatives of forestry workers, who enter into contracts with the Forestry Department of Government for the felling of timber in the State forests. They employ their own technical advisors. There are a few co-operatives of the same kind in British Guiana and perhaps elsewhere.

There is nothing inherently difficult in either of these methods of exploiting forests on a co-operative basis, though the contracting society probably needs the more careful supervision, at least in its early stages.

III. Co-operation in Relation to other Economic and Social Forms

It is obvious that co-operative organisations do not exist in a vacuum. They come into being in a world already containing many other forms of organisation, established for economic, social or political ends. With some, the co-operative may be in competition, with others in alliance. It may even be that both relationships co-exist. It is obvious that with some forms of organisation the relationship is closer than it is with others, and the connection more natural and fruitful. As co-operation is primarily an economic undertaking, it is bound to be closely woven with other elements in the economy; on the one hand, with private business, industry and banking, and on the other with nationalised industries, marketing boards and the state-controlled sector in general. It is worth recalling that in its nineteenth century origins and for many years thereafter, co-operative organisations were set up in order to protect the economically weak from the unrestrained power of private business. Since then the balance has shifted in greater or lesser degree in most countries, the state itself has become involved in business, and the co-operative movement may find its most serious rival in the public sector of the economy. It may even be in some countries itself virtually the only sector to retain a measure of private and local initiative.

In addition to its relations with other forms of enterprise engaged in the same tasks, co-operative organisations in a few countries have special arrangements with trade unions or are linked with political parties, or are used to facilitate land settlement, (as already described), or in connection with community development. As there has been a good deal of loose thinking on the subject of all these relationships, it is perhaps desirable that they should be rather more carefully examined.

1. Co-operation and Private Business

Co-operatives were first organised as an alternative to the small shopkeeper, the village money-lender or the owner of an agricul-

tural processing plant with a local monopoly. It was in effect anti-private business, and as such was attacked, through competitive price cutting, the formation of rings or the denial of wholesale trading facilities, by private traders. Partly to meet this opposition and partly through the natural logic of economic growth, co-operatives have pushed on into wholesale trading, processing and central banking. The consumer co-operatives, usually more ideological than the agriculturalists, have often seemed to be pursuing a completely self-sustained system in which they would supply all their members needs, from the extraction of the raw material to the delivery of the finished goods.

In fact, this degree of economic isolation has never been achieved in any country, and the co-operative movement everywhere co-exists with private and, in latter years, public industry in a closely interlocked system. Nearly all co-operatives throughout the world look to other organisations to produce their transport vehicles and the machinery used in their factories and offices. Although there is an International Co-operative Petroleum Association, owning oil wells and refineries, it is still a long way from meeting all the fuel and power needs of the co-operative movement throughout the world. Most of the raw materials used in consumer co-operative factories, or by industrial co-operative workshops, are purchased from outside the organisation, though they may come, directly or indirectly, from a co-operative of another type (e.g. an agricultural marketing society). Many consumer co-operatives sell goods produced in private as well as co-operative factories, and many agricultural societies use private as well as co-operative suppliers, processors, wholesalers or commission agents. There are still some situations (e.g. auction marts) in which dealers may form a ring to keep down prices to a co-operative or a manufacturing interest (e.g. in agricultural machinery) and may be strong enough to refuse co-operative agencies, but they are becoming steadily less frequent. Competition between co-operation and private business is now in most countries no different in kind from the competition of private businesses with one another. It may also be recalled that in the field of consumer and credit co-operation, private firms, agricultural or industrial, have often taken the lead in helping their employees to organise co-operatives.

The position with regard to banking (and to a lesser degree insurance) is rather different, but even less competitive. Co-operative banking is usually specialised in character and closely linked with specialised activities, also co-operative, and with

special sections of the population. In some countries this means that the co-operative movement as a whole, or one section of it, is in fact financially self-sufficing. This may also be true as regards insurance. This is not, however, the usual situation in developing countries. Here, co-operative development is likely to depend for some time to come on the services of either governmental or private banks, especially to meet seasonal peak demands for short term capital. This may occur also in developed countries with a mature economy, in which co-operative banking has been built up late or serves mainly one section of the co-operative movement. (In the United Kingdom, for example, agricultural co-operatives use mainly the ordinary commercial banking system for their own business needs, though they have found it necessary to work out a system of co-operative lending to their farmer members.) Co-operative insurance is usually a self-contained system, but some part of the risks carried may be re-insured with private companies.

2. Co-operation and the State

It has already been pointed out that in many countries, including most of those in which the economy is not as yet fully developed, the state has taken an active part in promoting co-operation by providing educational supervisory services and sometimes by making loan capital available. The relation between co-operatives and agricultural marketing boards has also been noted. There are, however, a number of countries, mostly, but not exclusively those with communist regimes, in which the government from time to time lays down an economic development plan, to be carried out over a period of years. In such plans the co-operative movement is usually given a part to play. In most European communist countries and in the Soviet Union, the allotted tasks are: (a) the organisation, through collectives, of all agricultural production other than that of farms directly managed by the state; (b) the distribution in rural and also sometimes in urban areas of all consumer goods; (c) to a more limited extent the organisation of light industry, handicrafts and personal services. No banking or insurance is carried on by co-operatives (this is reserved for the state) nor is marketing or production on a national scale. This system is a good deal modified in countries like Poland and Yugoslavia, but it remains the accepted communist pattern. Traces of it may be observed in a few of the countries of Asia and Africa which have been impressed by the communist example.

In such circumstances co-operatives do not compete with other

economic forms. They have a task assigned to them which they must carry out as efficiently as they can but which they cannot transcend. The most they can do is to show that, for example, co-operative shops function better than state shops, and to hope that in future the co-operatives may be asked to take over trading in towns or factories where they have not so far been admitted. In the meantime, they have no choice as to the goods handled, the market in which produce is sold, the prices fixed or the use to which the annual surplus (if any) is put. Initiative is thus very limited, and the distinction between a co-operative and a state enterprise tends to be nebulous.

There are however states, India is perhaps the most notable example, which practice planning but leave a considerable sector of the economy free to choose between more than one method of operation. At the same time, India at least gives powerful encouragement to the co-operative system by the injection of capital as well as advice, supervision, education, and the financing and control of pilot projects.

There is no question in India of limiting the co-operative sphere of action. All the implications are that the Indian Government would welcome the most ambitious co-operative projects, provided they were soundly based. The point of criticism is rather that, in order to fulfil specific tasks, co-operatives are brought into existence sometimes more rapidly than local interest alone would make possible or local skill be able to manage effectively. To this end, lavish help with staffing, supervision and finance are made available. This is necessary because the economic task is generally urgent, and to the Indian Government, with its considerable co-operative tradition, it is easier and more in accord with national philosophy, to improvise a co-operative machine than one which is purely private or purely state-controlled. Whether, or how soon, this phase can pass into one of genuine local responsibility and initiative, it is perhaps too early to ask. A similar policy may well be adopted in other countries, where the co-operative tradition is shorter than in India and the question still more open.

It is the experience of all successful co-operative movements that continuous progress should be based on local initiative and education and the readiness and capacity to accept increasing responsibilities. It is consequently slow at first, though when expansion really begins, it is apt to be unexpectedly rapid. Few developing countries, however, are prepared to wait for a slow evolution. They want to reach the economic break-through quickly. Hence, they tend to force their co-operative movements.

3. Co-operatives, Political Parties, Trade Unions and Churches

It is written into the rules of the Rochdale Pioneers, the founder society of modern co-operation, that a co-operative should be neutral in politics and religion. This principle is inserted in the co-operative laws of the great majority of countries. It is not, however, universally observed. The consumers' co-operative movement of Belgium, for example, is closely linked with the Belgian Socialist party and the socialist trade union, while the major section of the Belgian agricultural movement is linked with the Catholic Church. The British consumers' movement runs a political party of its own, but as a very large employer of labour, its relations with trade unions, though friendly, are more detached. These political and religious connections may have been inevitable in the national circumstances of each country when the decision was taken, but it is doubtful whether their effects have been really good. In particular, they have divided the consumers from the agricultural movement.

In Israel, the greater part of the co-operative movement is linked with the trade unions, the political party now in power, a number of banking, building and industrial undertakings and the only important system of social security, in a single institution, the National Organisation of Jewish Labour, or Histadrut. This situation dates from the early days of Jewish colonisation in Palestine, when most of the immigrants and would-be agricultural settlers were young men without capital. Since many were employed as paid labourers, they organised themselves on trade union lines. The National Organisation, which could command considerable resources contributed from outside the country, was thus in a position to acquire land and settle members on it, and in general to develop the economy of Israel in the interests of Jewish immigrants.

This system has attracted considerable interest in other developing countries, and this interest has been strengthened by the generous hospitality extended by the Israeli Government to visitors and students. It is doubtful, however, whether the Histadrut system is really applicable to countries which are not carrying through a scheme of rapid colonisation and have not the same resources either of foreign capital or of dedicated men of high intelligence and advanced technical training. The system constitutes an immensely elaborate and interlocking power complex, and it is easy to see why it attracts political leaders in young countries seeking a material foundation of power. In a society as mature as that of Israel, it may be supposed that

such power is used with discrimination and with due regard to the stability of all the institutions concerned. There is no guarantee than an organisation so complex would be used with equal discretion in a less experienced society, or indeed that it could be kept in being at all over a long period. Most of those who have wide knowledge of the co-operative movement in all its forms would prefer to see it maintain a separate existence, concentrate on its economic tasks and regard itself, not as an agent of political struggle, but as a necessary and important part of the economy of any state, no matter what its political colour of the moment.

4. Co-operation and Community Development

The relation of co-operation to community development falls into a rather different category. Obviously co-operation contributes to community development, where this is needed, through its general promotion of mutual aid, through rising material prosperity and the softening of old rivalries and feuds, often economic in origin. It may also make some positive contribution to social welfare through grants for this purpose or through the promotion of some community service, such as a school, a clinic, a good road or a piped water supply. In general the task of the co-operative should, however, be understood as primarily economic, and it would be a mistake if it were viewed merely as an adjunct to community development. In India, a few years ago, community development was taken up with considerable enthusiasm, and co-operative instructors were appointed to Community Development Blocks. This often had the effect of producing a conflict of authority between these officers and those of the existing Co-operative Departments, the latter generally equipped with a much fuller knowledge of co-operative techniques, the needs of the national development plan and the part co-operatives were intended to play in it. No particular harm may have been done, but again it would seem that co-operation is important enough to make its own contribution to national development, and is better left to do it in its own way.

5. Co-operation as a Nation-Building Force

Although it has been argued in the last sections that co-operation fulfils its function best when it is independent of other organisations set up for political, economic and social ends, it is none the less true and has been observed in many countries, that co-operation, simply in pursuing its own ends by its own methods of democratic control and shared responsibility, does play a considerable part

in nation-building. In particular, it trains a body of people, well dispersed among the general population, who understand the elements of democratic government and prepared to take responsibility for practical decisions.

This experience is not confined to the developing or 'emerging' countries of Asia and Africa. The management of co-operative societies was unquestionably one of the ways in which the British working class in the nineteenth century trained themselves for future political responsibility. In the old Austrian, German and Russian empires, co-operatives were almost the only form of organisation in which the subject peoples could exercise control and take independent decisions. When these countries achieved national Independence, after the First World War, it was the co-operatives which filled a remarkably large number of posts in the new civil services.

In the developing countries today it is notable that no explanation of the process of parliamentary election is needed in districts where co-operatives are well established. In addition, the senior staff, and to some extent the committees of co-operative societies and co-operative departments have proved valuable sources from which not only senior civil servants but also ministers can be drawn when an independent national government takes over the administration.

IV. Some Problems of Co-operative Expansion

The experience not only of Europe but of many Asian and African countries shows how essential a part the co-operative form of enterprise can play in its special fields. It shows also how co-operation can bring an element of social influence and social restraint into an economy based on private business. It can, on the other hand, go a long way towards liberalising economies based on state planning and state control. It is not, however, a magic formula, and its introduction calls for time, patience and education. It also calls, in most countries, for a certain amount of money.

1. Slow Growth of Co-operatives

Since membership of a co-operative is voluntary and the organisation is controlled in the last resort by its members, it cannot come into existence until a reasonable number of people believe that it would be to their advantage to join; nor can it function satisfactorily until the members have at least a basic knowledge of how it works. It is further necessary that the membership should produce from its own ranks at least half a dozen men capable of forming a committee, and that the committee in turn should be able to find, appoint and retain in service sufficient competent and honest employees to manage the business.

It is of the essence of co-operation that the main responsibility for providing capital should fall on the members themselves. If they are men of small resources, unused to the idea of saving, let alone investment, for a more or less distant objective, this building up of 'owned resources' (share capital and reserves) is likely to take time. The volume of business which can be transacted depends partly on the numbers prepared to use the services of the co-operative, but also on the capital available.

All this means that the natural development of a co-operative movement is likely to be slow, especially in the early stages. Small, widely scattered co-operatives will be formed and some will fail, generally through human weaknesses of one kind or

another. The volume of business will be too small to effect far-reaching economies in operation or make a strong impact on the market. While the organisation is small and management uncertain, it will be difficult to embark on any sort of vertical integration. Once this initial phase is passed, development is usually much more rapid; but it may take ten years or more to reach the break-through point.

2. Aids to Growth

(a) Finance

Today most developing countries are in a hurry. They want to exploit their natural resources to the full, and, more especially, to bring their standards of living up to those of Europe and North America in the shortest possible time. Their leaders are often impatient with the slow rate of 'natural' growth in the co-operative movement, and assurances regarding the future stability and strength of a co-operative movement which has evolved in this way will probably be received without much enthusiasm. Moreover, rival systems claiming to bring quick results through the action of the state or of state-aided companies, are likely to be recommended with all the resources of modern propaganda.

It is not surprising that the governments of developing countries which have grasped the value of co-operation are none the less anxious to push on development by various forms of direct aid. One of these is the well-tried system of establishing a department of government with the sole function of promoting co-operatives and supervising their progress. This in itself costs money, but it is money well spent. Indeed a good deal more could fruitfully be spent in this way, for most co-operative departments are pitifully understaffed, the staffs often under-graded and the chances of promotion too limited to attract the type of men most needed. (Too many co-operative auditors, for example, transfer to the Treasury at higher salaries just when they are becoming most useful to the co-operative movement.)

There remains the much larger question of how much financial aid, either in grants or loans, should be provided direct from government to the co-operatives themselves. General experience is against grants unless of the most modest kind (e.g. a first set of account books to a primary co-operative). Loans fall into two categories. There is first the long term loan (or occasionally share investment) from government or marketing board to cover capital installations. If these are costly, and at the same time there is a real economic need in the district, a government or

government-guaranteed loan may be inevitable and fully justified. It should be for a fixed term of years, secured on the plant, with regular amortisation and a moderate but regular interest charge. This should be a failure-proof operation. It can only go wrong if the economic need has in fact been misjudged or the loan made on grounds which were social or political rather than economic.

The alternative form of financial aid is the short-term loan intended to make possible the movement of a crop, the stocking of a wholesale supply co-operative or the provision of resources from which credit co-operatives can make short term loans to their members. The first undertaking may be justified if the loan represents no more than a safe percentage of the estimated or actual value of the crop to be handled. In the first place, the crop itself provides the security. In the second, it would be uneconomic for a co-operative painfully to accumulate large capital resources which would only be in use for a few months in the year. In time, a national co-operative bank may be set up which can balance the seasonal needs of different crops or even non-agricultural industries. In the meantime, non-co-operative finance, preferably on well-understood business terms, will be a necessity.

The other possible uses of short term governmental loans are much more open to question. The advance purchase of some simple agricultural requirement like fertilisers may be financially a safe operation. All forms of general trade are subject to great risks and not as a rule suitable objects for government investment. The advance of credits for transmission to small borrowers is more attractive, since it may seem the only method of rescuing the borrowers from debt or of improving their methods of farming. It can, however, end by weakening rather than strengthening the co-operative organisation. Money too easily come by tends to be recklessly distributed. Repayment is not pressed; nor is thrift and the need to build up the co-operative's own capital. If these things are not to happen, much supervision will be needed. This will be costly in itself, and the red tape involved will slow down the process of granting loans, sometimes to the point when their value is lost. There are countries - Sweden, France, the U.S.A. - in which government funds were used to initiate co-operative credit and then gradually withdrawn. There are, however, countries in which business experience is general among farmers and the desire for financial independence is strong.

It must also be remembered that a government advance which

passes at only one remove to the individual farmer, through a credit or even through a marketing co-operative, can be made to appear a political favour and can be given in circumstances which hold out no real assurance that the loan will ever be repaid. Needless to say, this is not the way to build durable economic institutions, whether on a co-operative or any other basis.

The rules for government investment in co-operative undertakings would seem to be (1) it should not be given except to organisations strong enough to manage it without excessive supervision; (2) it should be given on business terms, even if the rate of interest is kept somewhat lower than the commercial rate; (3) it should be temporary and should be gradually withdrawn, leaving the co-operative either able to finance itself or with a reputation which will enable it to borrow from commercial banks on normal terms.

(b) Education

Co-operative progress on any scale demands a continuous effort in education at more than one level. If this seems an excessive demand, not made by other forms of economic enterprise, it should be remembered that the economic education of quite large sections of the population in a developing country is in itself one of the valuable results of co-operation and would not be wasted even if the co-operatives themselves were eventually to turn into something else, such as a marketing board.

Co-operative education is concerned with several different groups: potential members; members; committees and unpaid officers; salaried staffs; officials of (governmental) co-operative departments. The potential member can only be made acquainted with the general idea of co-operation through the occasional public meeting, through any general schemes of adult education, or (as is done in some countries) by teaching in schools and by the organisation of miniature co-operatives (thrift clubs, tuck and pencil shops) among schoolchildren. The member will probably be educated mainly through the annual general meeting of his society, which, if it is well-devised, will include a lecture or a film show in addition to formal business. Committeemen, especially chairmen and unpaid secretaries or treasurers, should know a good deal more about both co-operative rules and procedures and about the business which the co-operative is trying to carry on. Many will be naturally able men, but they are unlikely to have had previous experience in these fields. The method of improving their knowledge is not easy to find.

They may be illiterate. Even if they can read, few farmers of any country are anxious to spend much time on books or pamphlets. Most are men of mature age who probably do not regard themselves as in need of education. Even if they have a taste for it, they probably cannot leave their farms for more than a few days. In spite of these difficulties, something can be done through itinerant lecturers, short district conferences and the presence of supervisors or auditors at committee meetings.

In these circumstances, much depends on the ability and devotion of the two classes of paid staff, co-operative and governmental, and much attention must be paid, and indeed is being paid, to their education and training. Most countries today have co-operative colleges, sometimes more than one, established for this purpose. In Europe these are the staff colleges of the various co-operative movements. In Asia and Africa they have, until the last few years, been mainly concerned with training the junior officers of co-operative departments, and have only recently opened their doors and adjusted their curricula to meet the needs of the salaried staffs of the co-operatives themselves. The subjects in which courses are given usually include book-keeping, co-operative law and administration, auditing, the general background of co-operative principles and the development of co-operation in other countries.

Most of these co-operative training centres are too small (though some are now being enlarged) and could do with more staff, better premises, better libraries, more teaching apparatus. Most should be more rapidly introducing the teaching of managerial and business subjects other than book-keeping.

Residential co-operative training on a national scale is to some extent supplemented by international correspondence courses and by attendance at co-operative colleges or seminars in other countries. The Co-operative College in the United Kingdom has for many years received annually 20 or more overseas students for a course, lasting 9 months, specifically adapted to their needs. Similar courses are offered in India, Ceylon and Malaya, also in France for overseas countries where the second language is French. Courses, usually not lasting for more than 2 to 3 months, are also provided by specialised institutions in Canada, Israel, several communist countries (especially U.S.S.R. and Czechoslovakia) Denmark and West Berlin. The United States offers a number of travel bursaries to co-operative officers in developing countries. The course of study includes visits to co-operative institutions in America and in some cases a period at an American university, rather than at

a specialised co-operative college. The Plunkett Foundation runs an annual short course in Africa attended by Africans from all countries whose second language is English.*

All these courses have a certain value, though some are better adapted than others to the needs of co-operative students from developing countries. In addition, a number of short seminars are arranged by inter-governmental agencies such as the International Labour Organisation, the Food and Agriculture Organisation, the Caribbean Commission, etc. The International Co-operative Alliance, a representative and promotional body with a world-wide membership of all types of co-operative organisation, runs an annual short school, but not exclusively for representatives of developing countries. These do, however, benefit considerably from its publications and from the contacts which it offers between their organisations and those of older and maturer co-operatives in other continents.

* Established in 1919 in London 'for the systematic study of agricultural and industrial co-operation', the Foundation has provided facilities for students of co-operation for many years and has carried on organised training courses since 1954.

V. Summary of Conclusions

To sum up, it is not too much to say that co-operation offers by far the most promising way of organising the agricultural business of developing countries. It is probably the only way to raise the production of small cultivators and induce them to continue supplying high quality produce to the market. Co-operative farming in the sense of collective ownership and cultivation of land cannot be recommended. The practical disadvantages far outweigh the theoretical advantages. Land settlement, linked with co-operative services, however, has great value and should be carefully studied by all countries with rising populations and uneconomic systems of land tenure.

Co-operation in the fields of thrift, credit and banking is effective both in agriculture and among urban populations, reducing the evils of usury and debt, encouraging saving, and making capital available for productive purposes which would otherwise be wasted or uselessly hidden away.

Co-operative housing is new in most developing countries, but it has been sufficiently tested to show that it is practicable, while the need is becoming increasingly obvious. The need for insurance may be less pressing, but when it comes, the co-operative method has well-tested advantages. Fishing and forestry may be minor industries compared with agriculture, but they are well suited to co-operative forms of organisation. Only the depressed state of many fishing and some forest communities makes them difficult to organise.

Consumers' or distributive co-operation, though it has achieved great successes in Europe, is probably the most difficult to organise in tropical countries, and should be left to the last, after experience has been gained in other fields. Co-operative light industries also, though they appear promising on paper, do not show any record of widespread achievement, and should be initiated with caution.

If co-operatives of any kind are to make a real contribution to economic progress, they cannot remain small-scale local enterprises. They must be built up, usually by federation, into

large scale, fully articulated trading or banking enterprises. They must be integrated with other forms of economic activity, public and private, existing in the same country. The integration may take place as a result of free give and take, or as part of a national plan. If there is a plan, it should not be so rigid that co-operatives are unable to enlarge their sphere of action if their competence entitles them to do so. In some countries co-operatives have been linked with political parties, churches, and trade unions. In developing countries these associations are not as a rule necessary or desirable.

Many co-operatives require outside help in their early stages, especially if they are to develop with any speed. This may be financial, but if so it should be given on business-like terms and only after a genuine appraisal of their power and opportunity to perform a necessary economic service. They should not be subsidised for political or charitable reasons.

Help will almost certainly be required also in the form of promotion, supervision and education. In the early stages, educational agencies must inevitably concentrate on teaching the teachers, the officials of co-operative departments, later, the senior employees of the co-operatives and committee members. Colleges, correspondence courses and seminars, national and international, already exist for such purpose, but more opportunities and more funds are needed in all countries.

The value of co-operation lies primarily in the contribution which it can make to increasing productivity and raising the standard of living, but it also contributes to the training of emergent peoples in democracy, business administration and social responsibility.

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It is now generally accepted that the problems of the developing countries in Asia, Africa and Latin America will be increasingly decisive in national and international politics during the next ten years. The industrialised countries are faced, in particular, with the problem of how to help in the development of these others.

To study this problem the Overseas Development Institute was set up in London in the autumn of 1960 as an independent, non-governmental body financed by a grant from the Ford Foundation and by donations from British industrial and commercial enterprises. Its policies are determined by its council under the Chairmanship of Sir Leslie Rowan; its Director is William Clark, and Deputy Director, Athole Mackintosh.

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- 1** To provide a centre for the co-ordination of studies on development problems;
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- 3** to be a forum where those directly concerned with development can meet others and discuss their problems and share ideas; to take the initiative in inviting those with special interests or experience in this field to come to the Institute to write and talk about their work;
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