

INTERNATIONAL LABOUR OFFICE

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MEETING OF PANEL OF  
EXPERTS ON CO-OPERATION

GENEVA, 3-8 DECEMBER 1962

Revised Working Paper

DEVELOPMENTS AND TRENDS IN THE  
WORLD CO-OPERATIVE MOVEMENT



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## PREFACE

The International Labour Office decided in 1961 that a survey of the current state and likely development of co-operation throughout the world and the collection in such a survey of up-to-date world-wide information on the co-operative movement would be of the greatest value to co-operators and potential co-operators everywhere.

Part I of the survey, the first and the largest section, is factual. It deals with co-operation as it is today and, in particular, with such new trends as have become apparent in the last ten years. It records, but does not examine, a number of co-operative problems. It is based on documentary material submitted to the International Labour Office by governments and national co-operative organisations, on replies to questionnaires addressed by the International Labour Office to similar institutions throughout the world and on detailed statements prepared by experts familiar with co-operation in different continents.

The material has been arranged according to co-operative types - consumer, agricultural, industrial - and the experience of continents, or large homogeneous regions based on similar kinds of economic or social structures, has been examined. In general, the main divisions of the subject may be by functional subtypes: agricultural co-operation, for example, is divided into marketing, credit, supply and so on, or, as in the case of consumer co-operation, by various aspects of the co-operative activity such as guiding principles, membership, democratic control, unions, range of goods and services, patterns and functions of wholesaling.

Part II of the survey deals with a single subject: the relations between co-operatives and national governments. The material on which this is based is drawn from similar sources to those used in Part I, the most important being legal texts, governmental reports and replies to questionnaires.

Part III attempts to assess the economic and social significance of co-operation in the modern world. The conclusions reached are derived from a study of the factual material summarised in the two preceding parts. In some fields the evidence is such that a position can be stated with confidence. In others it is only possible to make an inference from incomplete but significant evidence and from the opinions of those qualified to hold views on different topics. This section brings into relief a number of features of the co-operative movement which have either not been considered before or require reconsideration in the light of changes which have taken place in the last ten years.

Part IV projects the inquiry into the future. The sections dealing with co-operative and state plans, with the possible scope of co-operative development, with the modern application of co-operative principles and the appeal of co-operation to a new generation of members, are based partly on printed sources, but to a considerable extent on the answers to questionnaires sent out by the International Labour Office. The sections on training and research are based on information already summarised in Part I, from which certain conclusions and recommendations are drawn.

The final section of Part IV includes the conclusions drawn by a meeting of experts which was called by the International Labour Office in Geneva in December 1962, with the purpose of examining a range of technical questions connected with co-operative development throughout the world. In addition to the experts' conclusions on the current situation in the world co-operative movement, there are included their recommendations for future action.

## WORLD CO-OPERATIVE MOVEMENT

### DEVELOPMENTS AND TRENDS

#### PART I. World Survey of Co-operation Circa 1961

##### Chapter I

##### Introduction, Definition and Classification

1. Co-operation as a form of organised economic activity developed first in Europe in the mid-nineteenth century, and by the end of that century was well-established in most European countries and beginning to attract attention in other continents. During the twentieth century the movement has spread to almost every country in the world. In several countries, in fields such as rural banking and the marketing of agricultural produce, co-operation has become the usual, rather than the exceptional, way of doing business.

2. During this long period, and especially during the last 40 years, the relation of co-operation to national economy in general has in many countries undergone considerable changes. The early co-operators were humble people who joined together spontaneously to perform for themselves some service which would not otherwise have been available, or would have been so carried out that their interests might have been disregarded or prejudiced. A place was found for the co-operative form in the commercial law of most countries, but for more than half a century the movement remained the voluntary achievement of individuals, and its main concern was to establish itself and expand its field of activity in a world of fiercely competitive private industry and commerce.

3. This position has gradually changed. Few countries today have retained a wholly unorganised and competitive economy. In some, the economy is completely planned at national level and controlled by departments of State. In others, planning is concentrated on new development and there are wide areas of unregulated production and trade. In others again, control is exercised indirectly, through bodies such as marketing boards, banks and finance corporations, or through subsidies, tariffs, currency controls, import and export licences and the allocation of shipping space. Economic planning and control are especially characteristic of countries which are hoping to achieve a rapid development of their resources, the establishment of modern industries and a rise in their standard of living, to the levels of Europe and North America. Such planning is also characteristic of economic fields which for social or technical reasons have not developed, and perhaps cannot develop, on the typical patterns of modern industry. The most important of these would appear to be agriculture.

4. The changeover from a competitive economy to one more or less controlled, or at least guided by the State, has meant that the co-operative movement has either found itself struggling to maintain its position in relation, not only to private trade, but also to economic organisations armed with statutory powers; or, alternatively, that it has itself been adopted by the State as the chosen instrument for the attainment of certain economic ends, notably the economic reorganisation of agriculture and the handling of its products. This change, which is much more fundamental in some countries and in some branches of the co-operative movement than in others, makes it desirable that a fresh look should be taken at co-operation throughout the world, and that some attempt should be made to assess its significance and the true part which it plays in the world economy of the third quarter of the twentieth century.

##### Definition

5. It may be well to begin by establishing the meaning of co-operation as it will be considered in this book. The International Labour Office publication, Co-operative Administration and Management, 1960, contained the following definition: "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".

6. A co-operative is a legally incorporated body which can own property and act in the same way as an individual or a company. One of its distinguishing features is that it is controlled by those who do business through it and who alone are entitled to become its members. Thus, the members of a co-operative store are its customers, of a co-operative bank the borrowers or depositors, of a marketing co-operative those who sell their produce through it, of a housing co-operative those who wish to buy or rent houses from it, and of an insurance co-operative those who use it to insure their lives or property. This immediately distinguishes a co-operative from a business which is individually owned and controlled by a shopkeeper, banker, merchant or builder, from a joint stock company which is owned and controlled by shareholders who generally do not actively participate in the enterprise, or from a nationalised industry which is owned and controlled by government on behalf of the public.

7. Other points of importance which distinguish a co-operative from other economic forms are (1) that membership must be voluntary and must be open to everyone likely to contribute to or be benefited by the purpose served; (2) that all members must have an equal voice in the affairs of the society; (3) that they should all contribute equitably to the capital of the society and that none should have a preponderant share in it; (4) that interest on invested capital should be kept low and surplus earnings, after allocations to reserves, should be distributed to members in accordance with the business they have done with the co-operative, or may be used for educational or social purposes.

8. It is generally agreed that co-operative members should do all their business with their society, and sometimes this is enforced by law or contract. This is not, however, at all times and places a necessary condition of co-operative membership. In some countries co-operatives are not allowed to do business with non-members, but more often some latitude is allowed. Political and religious neutrality was observed by the early co-operators, and in many countries is now enforced by law, but there are important exceptions. Although the basic purpose of a co-operative is economic, its founders usually aim also at the social welfare of members. Sometimes this is merely implicit in the aim of raising their economic status, but it may take more specific forms through the formation of "common good" funds or the provision of educational services, general or technical, from which members can benefit.

### Classification

9. Co-operative societies have been formed for a very wide range of purposes: retail and wholesale trade; thrift and investment; the financing of farms and small businesses; the supply of agricultural requirements and services, and of industrial machinery and raw materials; the marketing and processing of agricultural and industrial products; the running of jointly owned farms and workshops; insurance against a considerable range of risks; technical and social services. Some of these activities are carried on by comparatively small "primary" co-operatives, that is of societies with a membership of individual men and women, but most co-operative movements, as they mature and extend the range of their activities, develop "secondary" and sometimes also "tertiary" co-operatives, which are in fact regional federations of primary societies or national federations of regional societies. The purpose of such federations may be promotional, educational or supervisory. It may also be economic. In this case they are concerned with operations requiring more capital and a greater volume of business than can be handled by any one primary society. They are, however, in all cases servants of the primary societies and not their masters. This reverses the more usual state of affairs in private trade, where a dominant central concern carried on business through subsidiaries and branches which it completely controls. Subsidiaries and branches are not unknown in the co-operative movement, and, there has been some trend towards their formation, especially in the consumers' movement, in recent years. They remain, however, much more closely subject to control by the ordinary member than they could possibly be in a private company.

10. The strength of the co-operative movement lies mainly in four fields: agriculture and agricultural business; retail and wholesale trade in consumer goods; thrift, credit and banking for the small man and the small business; insurance (personal, agricultural and marine). In addition, the movement has achieved a certain status in fisheries, in housing, in light industries and (to a more limited degree) in transport, forestry, health and other services of a public character.

11. The co-operative movement has not made any impact on the more highly capitalised forms of transport (railways, shipping and airlines) nor in general on extractive or heavy industries. (The exception is the appreciable part played in the oil industry by American and Canadian agricultural co-operatives.) This limitation has arisen partly, no doubt, because the co-operative movement has seldom tried to attract outside capital and has therefore built up its economic undertakings slowly from retained earnings and the small deposits of members. Partly, however, it has been a condition of the principles and structure of the movement. Who should own a co-operative airline? The passengers? or the air-men and ground staffs? Who should own a co-operative mine or a shipyard? The workers? Or the purchasers of coal and ships? In so far as co-operation has penetrated modern industry, it has in the main been through the co-operative federation manufacturing goods to sell through the shops of its member societies, or processing the agricultural raw materials which they deliver. Oil production, already mentioned, is a case in point, to which may be added others such as cotton ginning and spinning, coffee curing, sugar refining, flour milling, the manufacture of clothing and household goods, fertilisers and agricultural machinery.

12. A movement so complex, operating in so many fields and at so many different levels, does not lend itself readily to logical classification. A number of systems have been proposed, but many of those based on function have the practical disadvantage of separating types of co-operatives - farmers' banks and farmers' marketing societies, for example - which in fact work closely together with a common membership and in many cases a common national organisation. In the present work it has been thought more convenient to group together all co-operatives serving a common purpose and a more or less homogeneous group of people. The descriptive sections of this survey will therefore be arranged as follows:

#### I. Consumers' Co-operation

1. Co-operatives for retail distribution.
2. Co-operative wholesale societies.
3. Production by consumers' co-operatives and their wholesales.
4. International co-operative trading organisations.
5. Consumer co-operative banks and insurance societies.

#### II. Agricultural Co-operation

1. Agricultural marketing, processing and manufacture; primary and secondary organisations.
2. Agricultural credit and banking, including mortgage banks.
3. Supply of agricultural requirements, including wholesale trade and manufacture.
4. Agricultural co-operative insurance.
5. Agricultural services, such as electrification, livestock breeding and water supply and control.
6. Joint use of land with the pooling of resources and services.
7. National organisations.

III. Co-operation in Fisheries

1. Joint ownership of vessels.
2. Co-operative credit and banking for fishermen.
3. Co-operative supply and manufacture of fishery requirements.
4. Co-operative insurance of vessels and lives.
5. Co-operative marketing and processing of fish.
6. Co-operative technical, educational and social services for fishermen.

IV. Co-operation in Forestry

1. Co-operative management of forests.
2. Co-operative exploitation of timber.

V. Co-operation in Industry and Trade

1. Industrial producers' co-operatives, co-partnership workshops and their secondary organisations.
2. Labour contracting co-operatives.
3. Urban co-operative credit and banking
  - (i) for wage earners
  - (ii) for traders, craftsmen and businessmen.
4. Co-operative supply to traders and craftsmen.
5. Co-operative housing and building.

VI. Co-operative Education and Co-operation for Social Purposes

1. Education and training of members, committees and staff.
2. Educational services.
3. Health and medical services.
4. Other social services, such as food preparation and community development.

VII. Inter-co-operative Relations

1. National.
2. International.

VIII. Co-operation and International Aid

1. Technical assistance by national and international organisations.
2. Fellowships, seminars and courses.

13. Even within these classifications, a certain amount of overlapping will occur. Some consumers' and some agricultural societies, for example, have promoted housing for their members. Some labour contracting co-operatives are mainly agricultural and may have a direct or indirect interest in co-operative farms. Some consumers' co-operative wholesale societies have agricultural societies among their members. The very nature of the co-operative movement, with its tendencies to close inter-relationships and with the common principles that underly all its diverse activities and forms, does not lend itself to strict division into categories and some overlapping is therefore inevitable.

## Chapter 2

### Consumers' Co-operation

#### Definition

14. For the purpose of this survey it is assumed that consumers' co-operation exists in the retail distribution of foodstuffs and other personal and household requirements to its members. Functions which directly contribute to this purpose such as wholesale supply and manufacture of consumer goods, and services such as restaurants and catering are included if carried on by the same organisations. Also included are the banking and insurance institutions, which consumer co-operatives have founded for the purposes of their own business and service of their members.

#### Statistical Survey and Comparisons, 1959-60

15. Accurate and meaningful co-operative statistics are difficult to compile on a world basis since the data provided by different countries is incomplete and for various reasons not strictly comparable while some countries publish no co-operative statistics at all. The following figures derive from the I.C.A. statistics of affiliated organisations (1959-60) and are incomplete in that they omit figures for such countries as China, Poland, Spain, Brazil and other South American countries and some of the countries of Africa.

Table 1. The World Consumer Movement

	Members	Percentage National Population	Societies	Retail Trade £ million	Wholesale Trade £ million
1959	84,400,000	5.07%	60,400	£4,400 £8,500 (USSR)	£2,053 £3,331 (USSR)
1960	88,300,000	5.10%	58,700	£4,766 £9,400 (USSR)	£2,245 £3,484 (USSR)

Note: U.S.S.R. figures of trade are given separately as they are such large amounts.

U.S.S.R. 1959 figures are based on the 1960 exchange rate of 2.52 N.R. = £

16. There has been a general increase in the size of membership throughout the consumer movement. It is particularly noticeable in Europe, especially in the U.S.S.R. where membership increased to 42,000,000 from 40,000,000 in the space of one year and in Belgium (850,000 from 820,000). In Asia, Japan shows a considerable increase, but elsewhere in that continent the position appears fairly static. Australia showed an increase of 20 per cent. (606,000 from 500,000) during the year. In North America, whereas the membership continued to extend in Canada, in the United States, there was a decrease to 1,390,000 from 1,450,000 as fewer people were engaged in agriculture.

17. The figure of 5 per cent. of national population as the over-all average of consumer society membership has been calculated from widely varying percentage figures in the different countries and continents. The individual figures show clearly that consumers' co-operation which originated in Europe is still more strongly developed in that continent (including the U.S.S.R.) than in any other part of the world. In Western Europe it can claim as members about 14 per cent. of the total population and in Eastern Europe, with the U.S.S.R., about 16 per cent. In considering the position of the latter group of countries it should of course be borne in mind that their task is very different from that of co-operatives in any other form of economy since they are not so much expected to fulfil their potential by their own competitive merits as to occupy an area of the economy assigned to them by the State. In all other continents the co-operative density is very much less, in Australia and New Zealand 4 per cent. of the population, in North America 1 per cent. and elsewhere even less. It

is true that for Asia the figure would be increased if the multi-purpose societies of Ceylon were included and it might possibly be increased again if more were known as to the organisation of retail distribution in China, North Korea or Viet-Nam.

18. The total number of consumer co-operative societies has decreased. This total decrease is due to the tendency, in countries where the consumer movement is well established, to concentrate and amalgamate into large units (see paragraph 32 et. seq). Between 1959 and 1960 in Sweden the societies diminished to 592 from 638, in Italy to 5,354 from 6,156, in the U.S.S.R. to 17,600 from 18,070, in Japan to 482 from 582. On the other hand, in the countries, where there was a development of the area of operations of the consumer movement, the numbers of societies continued to increase (India 7,168 from 6,857, Australia 730 from 700). Such figures as are available for the developing countries of Africa reveal no significant change.

19. The comparative figures for the volume of retail and wholesale trade show an over-all increase though the significance of such increase may be distorted by such factors as devaluation or changes in the rate of exchange. The figures should not necessarily be taken as an accurate indication of a comparable increase in the volume of trade. However, in the retail trade there is no doubt that some countries have made substantial progress, for example, West Germany £285,840,000 (1960) from £247,161,000 (1959), Australia £25,000,000 from £20,000,000, Canada £68,500,000 from £62,300,000, Finland £260,600,000 from £231,700,000 and France £189,800,000 from £172,370,000. Such countries appear also to have made similar satisfactory progress in the wholesale trade.

### Guiding Principles

20. Consumers' co-operation derives directly from the Rochdale Pioneers which established the prototype society in England in 1844 and the operating principles, rules and structure of most consumer co-operatives still follow closely the Rochdale model. There have been limited departures from what are regarded as the "Rochdale principles", for example, the abandonment in some countries of political and religious neutrality and in others of cash trading. In countries with state-planned economy the distribution of surplus in proportion to the business done has sometimes been abandoned in favour of the use of surplus for some educational or other purposes. Local committees elected by members on the basis of one man one vote are still universal and so is the subordinate position of capital contributed in small amounts by members or built up from retained surplus and in any case conferring no special right or influence on those by whom it has been contributed.

### Influences on Development

21. This is not to say however, that consumers' co-operation has remained fixed in its nineteenth century attitudes. A fairly rapid evolution has taken place in the character and modes of operation of consumers' co-operation even though its former structure has remained apparently unchanged. Its development, though it began in the 1920s, has been particularly marked in the last 15 years. The nature of the growth of the movement has been conditioned by the environment in which the co-operative movement finds itself.

22. In the consumer movement of Western Europe, North America and Australia where co-operation has complete freedom to find its own place in the economy but where it is subject to intense competition from private retail and wholesale trade, the developments have been such as will bring internal administration, management and finance into line with modern needs and will enable co-operatives to maintain and extend their sphere of operations in competition with other forms of business.

23. In the countries with state-planned economy the consumer movement is usually allotted a sector of the economy which it must seek to run as efficiently as possible but which it cannot transcend. At the same time it must adjust itself to the forms and the pace of an economy nationally planned in all its details. It is as a rule dependent on state departments for supplies and finance and while it must not fall behind the distributive plan, it cannot expand more quickly by entering new fields on its own account.

24. Finally in the developing countries the consumers' co-operative faces peculiar difficulties partly because many of its potential members are themselves food producers with a very low available income, partly because local trade is run on so narrow a margin that it is extremely difficult to compete with it and at the same time to raise the standards of retail distribution. These conditions have led to many experiments in co-operative form, several of which are still in progress.

#### Membership

25. Consumer co-operative membership as a percentage of national population has been referred to in table No. 1 and paragraph 17. However, the actual proportion of the population coming within the scope of the consumer movement is certainly considerably larger than the percentages quoted. Co-operative members are generally adults and a large number are married and heads of households. In most countries the figures could probably be doubled, except, for example, in the United Kingdom where membership is often taken up by more than one member of the same household.

26. The membership of consumer co-operatives in Western Europe has traditionally been drawn from the urban working class especially from skilled workers and those in steady employment more or less permanently resident in one district. However, in Scandinavia, France and Italy there has been from the beginning a considerable element of farmer membership. In the principal Danish consumer movement, in the co-operative union of eastern Switzerland (V.O.L.G.) and in the S.O.K. Organisation of Finland the agricultural or at least the rural element actually predominates. Only a few countries have analysed their membership precisely on an occupational basis but the following percentages show something of the variety of make-up:

	Workers	Farmers	Employees Officials	Artisans Tradesmen	Profes- sional	Retired
France	37	25	18	7	2	11
Norway	49	26	12	6	7	-

In Spain not more than 5 per cent. of the members of the consumers' co-operative may be other than workers, employees or officials but there appears to be no restrictions in any other country.

27. In North America the vast majority of societies classified as consumer are in fact associations which combine the functions of consumer and producer to meet the particular needs of the rural dweller. Therefore, the major proportion of the members of the consumer co-operatives in the U.S.A. tends to be farmers or members of their families. However, there does exist a distinctive type of suburban co-operative on the outskirts of American cities which caters only for domestic consumers' needs and has a largely middle-class and "white-collar" membership. The industrial worker has never been the main strength of co-operation in the United States and it is doubtful if there are any co-operatives today which depend on this type of membership. In Canada there has been less suburban development than in the U.S.A. but on the other hand more domestic consumer goods are handled, also there are a number of industrial workers' consumer co-operatives, especially among the miners of Nova Scotia, which come closer to the Western European pattern.

28. The consumer co-operative movement in the countries with state-planned economies has usually been given a virtual monopoly in serving the rural population and the inhabitants of the smaller country towns therefore make up the bulk of the membership of societies. However, the societies also serve some urban members by the sale of agricultural produce from collective farms and peasant holdings, in their urban stores. In Bulgaria and elsewhere workers of many industrial enterprises located in country areas are members of, and are served by, the consumer co-operative. In addition, notably in the U.S.S.R. and Poland, there are specifically urban consumer societies which serve industrial workers and other sections of the urban population.



29. Consumer co-operative stores in Asia and the Far East are mostly situated in urban areas and generally fall into three categories particularly in Japan and India.

- (1) Area co-operatives covering a town, city or prefecture;
- (2) occupational co-operatives: offices, factories, mines, railway employees, factory workers, public servants, employees, workers on tea estates (Ceylon);
- (3) co-operatives and schools: students and teachers.

There are, however, co-operatives serving the rural population in India, Ceylon and Malaya and the CONCOS (Consumer Societies) of Burma extend to the rural as well as the urban population.

30. In South America the consumer movement is mainly urban and often occupational. There are many instances of membership being limited to a certain type or section of workers, for example the EL HOGAR OBRERO (Workers' Home) in Argentina; the railway workers' co-operatives of Uruguay and Brazil. Societies have been set up by trade unions, professional associations and companies open only to their members. In some other countries, for example, Argentina, the rural population receive a consumer service from their agricultural co-operatives.

31. Such progress as has been achieved in consumer co-operation in the developing countries of Africa has been in the urban areas where the predominant membership is from the regular wage-earning communities. There have been some experiments with occupational consumer societies. In the rural areas to date the tendency has been towards the use of agricultural co-operatives to provide the domestic, in addition to the agricultural requirements of their members.

32. The membership of consumer societies has generally increased in the last 25 years. However, in Europe the number of societies has grown very little in spite of the reconstruction of societies which was still taking place in a number of war devastated countries. In effect during this period a number of societies have in most European countries ceased to maintain a separate existence. Given modern spending habits and the competition of modern private trade the very small society is only able to offer a limited range of goods and few services, and is in most circumstances no longer viable. It is true that some societies of this type continue to attract a traditional loyalty and that others are justified in that they serve small and remote communities. In general, however, the trend is towards amalgamation into larger units. In some countries amalgamation has in the past been hindered by restrictions on the number of branches which a co-operative may open but these restrictions appear now to have been abolished leaving only the problem of too numerous small societies, especially in urban areas which should be treated as a single distributive unit. In some cases, where amalgamation has not been accepted voluntarily, there have been actual liquidations and, in some countries, wholesale societies have been prepared to step in and take over a weak society and run it as a retail branch. In general however, the procedure has been negotiated amalgamation.

33. Table No. 2 derived from statistics published by the International Co-operative Alliance, gives details of membership, societies and their average size in selected countries of Europe. The table illustrates markedly the trend to reduce the number of societies and to increase the membership. This development has now been adopted as a deliberate policy by many national co-operative organisations. In the United Kingdom the National Amalgamation Survey of 1960 recommended that the number of societies should be reduced from 842 to about 300. In the Netherlands the National Congress of 1959 decided to amalgamate the then existing 237 societies into about 20. In Sweden the Congress of 1960 agreed that the number of societies should be reduced to 100. The economic benefits of larger units have been recognised by the movement in the U.S.S.R. and other Eastern European countries where there has been a continuous reduction in the number of societies and a corresponding rise in membership. The question of amalgamation and increase in size of societies is also being anxiously discussed in Austria, Switzerland, France and other countries, where the economic needs for larger units is recognised but the position of the independent small societies is still of value. This is especially true of countries where, like Denmark,

Finland and Norway, the movement has a large rural element and the village tradition is strong. It may be significant that the Danish Congress of 1959 called for the breaking down of barriers between societies, rather than for their amalgamation.

34. The emerging pattern of consumers' co-operation in Europe would therefore seem to be that of the fairly large co-operative with numerous branches for the convenience of shoppers. However, the rural co-operatives in Scandinavia tend to remain a good deal smaller. The unusually small size of societies in Iceland and Yugoslavia is probably due in part at least to the dictates of the geography of those countries.

Table No. 2. Consumer Co-operative Societies and their Membership in Selected Countries of Europe

Country	Year	Societies	Members	Approximate Average Membership per Society
Austria	1955	87	355,236	4,000
	1960	65	399,817	6,000
Bulgaria	1955	2,204	1,298,915	570
	1960	1,415	1,688,706	1,100
Czechoslovakia	1955	649	1,620,321	260
	1960	103	1,664,570	1,600
Denmark	1955	1,963	490,400	2,500
	1960	1,951	517,000	2,700
Finland	1955	490	1,039,075	2,300
	1960	477	999,225	2,000
France	1955	772	2,774,692	3,500
	1960	572	3,242,567	3,600
Germany (W)	1955	313	2,243,970	7,100
	1960	276	2,547,492	9,300
Iceland	1955	56	30,928	550
	1960	57	30,922	540
Netherlands	1955	275	356,813	1,300
	1960	191	400,522	2,100
Norway	1955	1,112	298,810	2,600
	1960	1,129	308,733	2,700
Rumania	1955	3,588	5,012,798	1,400
	1960	2,795	5,500,000	2,000
Sweden	1955	719	1,086,914	1,500
	1960	592	1,177,000	1,900
Switzerland	1955	930	665,640	7,300
	1960	904	755,015	8,300
United Kingdom	1955	944	11,783,267	12,500
	1960	842	12,956,839	15,000
U.S.S.R.	1955	21,097	33,300,000	1,500
	1960	17,600	42,300,000	2,400
Yugoslavia	1955	6,172	1,433,318	230
	1960	4,067	1,462,840	350

### Democratic Control

35. The co-operative movement was founded on the idea of democratic control of the economic process. In the early years when societies were small and members joined because the co-operative provided a solution to urgent personal problems no difficulty arose. General meetings were well attended, committees were elected from candidates well known to all those present and the problems of management, with which they were confronted after an election, were well within their capacity to understand.

36. This state of affairs still persists in the societies of smaller size. Such primaries are controlled by a general meeting of individual members or, where the members are more numerous or widely dispersed, by delegates' assembly elected by shop membership meetings. The elected committees are generally small and easily supervised. They themselves may supervise the work of the shop societies, produce and sales policy, shop finance, audit and inspection and the promotion of social and educational matters. The actual management is usually in the hands of professional staff. There may, however, exist a paid committee, paid boards of management and frequently allowances and honoraria for directors.

37. Whereas the small store makes for easier democratic control its relative costs of management are inclined to be heavy. The society of small size does not always find it easy to satisfy the principle of selling competitive prices to its members, and, at the same time, to cover its overheads and leave a margin for reserves and the payment, where it is the policy, of a patronage dividend. In countries where there may be the tendency to develop the small village society a basic calculation needs to be made of the minimum number of members and volume of trade required to make the society viable as an independent entity.

38. The results of an investigation<sup>1</sup> made by the Welfare Ministry of Japan into the minimum economic size of a co-operative shop may be considered instructive. The conclusions drawn from the investigation were that a co-operative shop should have 500 to 600 members within a radius of one kilometre. It should sell between £1,500-£2,000 worth of goods every month. In a co-operative with ten employees every employee should sell £150 to £200 worth of goods per month, without such a turnover the society would be unable to pay reasonable salaries and sell superior foods at low prices to its members.

39. Nevertheless, as we have seen in paragraph 32 et seq. the main modern trend in Europe is towards larger societies and more efficient business units. When this results in societies with many thousand, perhaps even a million, members, it is obvious that all cannot, and in practice many will not, take part in general meetings or vote in elections. In addition the wider range of leisure interests available to families even of modest means has lowered the "entertainment" value of the general meeting and has had an adverse effect on attendance figures.

40. A number of solutions have been tried such as the delegate meeting (compulsory in some countries for all societies with more than 1,000 members), the district meeting, and the branch committee. At the same time more attention is being paid to capturing the members' interest through reports, journals and various forms of advertising.

41. The choice of committee members is also becoming more difficult. In the first place the work itself is becoming more onerous requiring either more meetings of committees and subcommittees or, alternatively, involving weightier and more technical decisions. In the second place the widening of educational and, consequently, professional opportunities has meant that there are fewer men and women with unused managerial talents and the leisure and energy to apply them to co-operative committee work, than there were in the past. As a result committees may come to include too many elderly people with leisure, but with few new ideas and an insufficient grasp of the problems of a large modern business. There is a swing towards more indirect control, professional management and small executive committees with a larger advisory council.

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<sup>1</sup> Co-operative Movement in Japan, Vol. I (1958) by Dr. Hoynden.

42. The basic Rochdale conception of the amateur management committee exercising unfettered responsibility for the conduct of a series of completely autonomous societies is largely disappearing, in the countries with mixed economies as Western Europe and North America, because of the increasingly complex and sophisticated systems of physical distribution required in a highly competitive trade, and in the U.S.S.R. and other countries with state-planned economies, because the societies have a state-planned role to play. There, the committee is concerned with the detailed fulfilment of the plan and for the rest plays a largely advisory part, which in some of the countries may still be of certain importance.

43. In North America the direct responsibility of the member may be limited, either because the consumers' store is an adjunct of some other form of co-operative enterprise (usually agricultural supply) or because the decision to set up a store has been taken by a regional or even a national organisation as part of a planned co-operative development, with the aim of later transferring it to the control of the local membership. This system is not unknown in Europe but is exceptional on that continent. As explained by the United States Department of Labor in its Bulletin No. 1211 of January 1957 "the transfer of full control from the preferred stockholders to the membership may be delayed until the members have built up their equity to a certain percentage", and "sponsorship of a co-operative by a non-consumer group may result in the sponsor retaining control, either because he does not wish to relinquish it, or, because it is difficult to retain consumers' interest in the later stages of organisation".

44. An example of the kind of democratic control, that may be aimed at by a modern type of urban consumer co-operative may be illustrated by Green Belt Consumers' Services, Maryland (the largest of its kind in the U.S.A.). This organisation has expanded by opening new shopping centres usually in advance of local demand. It had a membership of 11,000 as long ago as 1956 and had a democratic structure to meet the size and dispersion of members. The Congress consisting of one delegate for every 200 members elected by annual area membership meetings, nominates candidates for the board of directors from the Congress membership. The Congress also meets members of the board four times a year in an advisory capacity to hear representatives. The Annual General Meeting of all members meets to transact statutory business and confirm by election the members nominated by the Congress.

#### Unions

45. At an early stage in their history consumer co-operatives felt the need for combined action in several fields. They wished to pool experiences, set up advisory and educational services, circulate reports on their progress and speak with one voice in presenting co-operative opinion to governments and the public. National, regional and sometimes district organisations with the non-commercial functions of unions and the commercial functions of the central wholesale associations (see paragraph 67) were established.

46. In several countries in Europe, and occasionally elsewhere, one organisation fulfils both sets of functions. In other countries, unions with more or less identical purposes, though not always of equal importance, exist side by side. This may be because of political divisions (Italy, Belgium) or by separation of the urban and rural movements (Denmark, Finland, Poland).

47. The normal method of representation by affiliates in their union was originally by direct election of delegates in the affiliates' general meetings. The early practice of electing the boards of the union (and wholesale societies) direct by the retail societies has however been modified in many instances as co-operative business, and, therefore, the organisational structure, have become more complex. Sometimes elections have been held on a regional basis in order that all parts of a country may be fairly represented. This may be achieved through the circulation of ballot papers. In some countries such as Finland a choice of members for national boards is transferred to regional delegate meetings. Where no district or regional unions exist, democratic influence may be exercised through annual conferences at which the boards of management report to the members and the latter elect shop committees to watch over local interests, and delegates to attend the general meeting at which supervisory boards are elected. This is the case with the Spolen (urban) unions of Poland and in the rural consumer co-operatives in Czechoslovakia and Hungary.

48. In the U.S.S.R., where there are district and regional unions in addition to the national union, after the initial election of delegates at the primary level each union elects its own delegates to represent it at the next level. In Canada some societies are directly affiliated to the national co-operative union. Others are represented indirectly through their provincial unions. In Japan some local federations - as links with the national federation - have been established but coverage is far from nation-wide. In Italy the Lega Co-operative Union, which has a predominant membership of consumer co-operatives, established a national consumer association operating by means of specialised committees in the general-purpose provincial unions. These are now tending to be replaced by specialised provincial unions. On the other hand the Confederazione (Italy) has national specialised unions one of which is for consumer co-operation.

49. Co-operative unions are normally financed by fees and subscriptions calculated in relation to individual membership and/or turnover of member societies. These funds are used to pay salaries, cost of congresses, publications and the upkeep of the national headquarters.

50. The work of a co-operative union usually covers the same broad fields in all countries but the emphasis and the administrative arrangements involved may vary a good deal. The union is responsible for organising congresses where the general policy of the movement is discussed and decided. It represents and defends the interests of the movement in its dealing with individual government departments and other important public or semi-public bodies. The union will usually compile and publish co-operative newspapers and magazines. It may produce films, books, advertising and propaganda material and prepare radio and television programmes popularising the movement. It may organise membership campaigns. Some unions, for example the Japan Federation, undertake promotional work in organising new societies and projects.

51. Audit is part of the function of the national union in Austria. In Germany regional unions were set up largely for audit purposes. In Israel a national audit union has been formed consisting of the national wholesale and the primary consumer societies. In the U.S.S.R. the central and regional unions undertake the audit of the unions at regional and district levels respectively and the district unions audit the primary consumer societies.

52. Unions frequently provide advisory services in several fields: legal, technical, managerial. Centrosoyus (U.S.S.R.) make decisions at national level, binding on affiliates, on general economic questions, methods of planning, and accounting systems. Other unions have been instrumental in setting up commissions to inquire into aspects of the national consumer co-operative movement, as with the Commission of Inquiry arranged by the Co-operative Union in the United Kingdom (paragraph 113) and the Consumer Co-operative State Committee set up by the national and provincial unions of Canada. Unions normally carry on the educational services of the movement (paragraph 432) and may take special charge of organisations formed to promote interest among women and young people.

53. As indicated in paragraph 46 some of the central organisations combine non-trading and wholesale trading functions. Others are not specific consumer co-operatives (e.g. United Kingdom, Italy) as they include co-operatives of other kinds amongst their affiliated members. Some are semi-official in character and, as in Spain, a link between government and the co-operatives. In the U.S.S.R. and several Eastern European countries they are the official channel for state credit. In some countries a co-operative union (United Kingdom, Belgium, Italy) also carries on political activities in support either of a co-operative party or one of the existing political parties with which the co-operative movement has identified its interest.

#### Range of Goods

54. From the days of the Rochdale Pioneers to those of the great depression in the 1930s the main expenditure of working-class households was on food. A co-operative which could supply its members with pure food at a reasonable price was doing them the most valuable service in its power and had a certain hold on their loyalty. In the last 20 years a steadily growing part of the increased income of workers, whether in factories or offices, has been spent on clothing, furniture and other household goods, wirelesses and television sets, bicycles

and cars. Progressive consumer movements have taken steps to widen their range of goods, and modernise their shops. They try to direct their advertising, publicity, education and to adapt their methods of retail distribution to the tastes of a comparatively affluent membership and especially perhaps, to the taste of the younger generation.

55. Most European consumer movements have been preoccupied for the last ten years in developing the trade in the types of consumer goods which have either recently come on the market or only recently come within the purchasing power of the typical co-operative household. These include furniture, household equipment (refrigerators, washing machines), decorative and luxury objects, books, cosmetics, motor vehicles and accessories. To these may be added women's and children's clothing, designed to follow the fashion and appeal to the young. The impetus has come from increased competition with private trade in many cases, but where this is not applicable, in the rural consumer societies of Eastern Europe for example, there has been the influence of growing sophistication in the taste of consumers and a widening variety of demand.

56. It has been long recognised that the traditional general store, usually no longer meets modern needs, and in many countries there are legal restrictions on the sale of foodstuffs liable to contamination in the same shop as other goods. It has also become obvious that people buy clothing much less frequently than foodstuffs, take longer about it, require a larger choice and are prepared to go further to get it. Household furnishing and equipment are bought even less frequently and the buyer is prepared to take even more trouble to meet his or her exact requirements. This provides a strong argument against the small single shop co-operative, which can rarely sell little more than food in a reasonably efficient way and in favour of the large society, which can group ten or twenty food-selling branches with perhaps two or three selling stocklines of clothing and shoes, and single department stores or specialist shops for household goods and fashionable clothing.

57. The British movement a number of years ago established a line of pharmacists' shops. More recently a chain of footwear shops has been initiated under the joint control of the Co-operative Wholesale Society and the retail societies. A similar chain of clothing shops is run in consultation with local retail societies by the Finnish wholesale. In Western Germany a union has opened a chain of furniture shops. The Polish urban co-operatives have in general separate shops for groceries and "industrial goods". In the U.S.S.R. and other countries of Eastern Europe, the small rural co-operative may have more than one branch in each village; some are general, but others may deal with only one kind of article, grocery, clothing, hardware, agricultural supplies. In some of these countries a good deal of local trade is carried on from stalls or kiosks in the open market place, each stall handling a different type of article.

58. These developments indicate the increase in the purchase of goods other than foodstuffs by the consumer member. Within the foodstuffs group, itself, the range of goods is extending, with more luxury and semi-luxury articles, especially in tins and packets. Nevertheless, whatever the form of presentation, commodities that make up the daily diet of the population still remain the most important range of goods sold.

59. Table No. 3 gives examples of the ranges of goods stocked in retail consumer co-operatives of different countries. The figures for the United Kingdom may be taken as largely typical of societies with a chiefly urban base particularly in Western Europe. In Western Germany (90 per cent.) and France (85 per cent.) the predominance of foodstuffs is even greater than that illustrated by the United Kingdom figures. In the United States of America, the suburban societies, for whom such statistics are not available, stock a very large range of foodstuffs and household goods. In the developing countries of Africa, and in Asia in areas where consumer development is mainly urban, the emphasis is on the stocking of staple foodstuffs rather than of general groceries and semi-luxury articles. In Ceylon (table 3) the consumer co-operatives are the sole agents for rice, flour and sugar, which make up the greatest part of their sales. Elsewhere, as in Malaya for example, the consumer societies found that a satisfactory and economic foundation for their operations was the concentration on basic foodstuffs, rather than on luxury and semi-luxury items. This may often be the case, particularly in urban areas, in such countries where the available per capita income is low.

Table No. 3 Range of Goods in Retail Trade of Consumer Co-operatives in Selected Countries (1959-60)

United Kingdom	per cent.	U.S.S.R.	per cent.	U.S.A. (Farmer Supply Co-ops)	per cent.	Canada	per cent.	Ceylon	per cent.	Denmark	Rural per cent.	Urban per cent.
FOODSTUFFS	74	FOODSTUFFS	50	FOODSTUFFS	2	FOODSTUFFS	27	STAPLE FOODS	66	FOODSTUFFS	78	82
Groceries	53	Bread	6	AGRICULTURE REQUIREMENTS	74	AGRICULTURAL REQUIREMENTS	32	Rice	51	HARDWARE	15	9
Milk	12	Flour	3	PETROLEUM PRODUCTS	24	PETROLEUM PRODUCTS	21	Flour	4	CLOTHING	6.5	5
Meat	7	Sugar	5			HARDWARE/CLOTHING	9	Sugar	11	MISCELLANEOUS	0.5	4
Fruit } Vegetables } Fish }	2	Produce	27			FUEL	6	TEXTILES	2			
		Misc.	9			MISCELLANEOUS (b)						
DRY GOODS (clothing, household)	18	CLOTHING	14									
FUEL	4	FURNITURE	2									
PHARMACEUTICAL etc.	4	Household/luxury (a) articles	25									
		MISCELLANEOUS	2									
	100		100		100		100		100		100	100

(a) Examples, sewing machines, T.V. sets, radios, books.

(b) Includes various kinds of groceries and tinned foods.

60. In countries where the emphasis is mainly rural and membership agricultural (for example Austria, Rumania), the consumer co-operatives tend to have less trade in foodstuffs than those in the urban areas. In the United States of America where much of the consumer movement is in rural areas and integrated within the farmer supply societies, the supply of domestic foodstuffs to farmers by such societies is a negligible proportion of the whole trade (table 3) as they concentrate very much more on their members' agricultural requirements. In Canada where there is also rural emphasis and a preponderance of agricultural purchasing societies the proportion of consumer goods stocked (36 per cent. - table 3) is much higher. In other countries with a largely consumer movement the range of goods and their proportionate importance tends to vary with local conditions and requirements. Norway for example has considerable trade in agricultural and fishery supplies and a remarkable development in electrical equipment. The proportion of foodstuffs is not more than 58 per cent. On the other hand in eastern Switzerland and Denmark for example (table 3) even in rural communities co-operatives carry a full line of foodstuffs, and farmers are no longer expected to be self-suppliers although they probably have their own milk and eggs.

61. In the rural consumer movement of the U.S.S.R. (table 3), Poland, Yugoslavia and other countries of Eastern Europe, amongst their many functions the co-operatives are expected to satisfy, not only demands for consumer goods, but also the increasing requirements of collective farms and rural populations in building materials, commodities used for production and articles for "cultural" needs. Food and drink are still the major items stocked, but food not to the same extent as in Western Europe, since many of the agriculturalists in these countries are largely self-supporting in basic foodstuffs, and many housewives buy fresh produce in peasant markets.

62. Regional consumer unions in the U.S.S.R. have offices for trade in agricultural produce ("urban co-operative trade establishments"). There they market the farm products brought from the collective farms and farmers. In fact in the U.S.S.R. and other countries of Eastern Europe (in Hungary they go by the title of "Farmers' Societies"), the rural consumer societies are as much a link between agriculture and the rest of the economy, as they are a distributive network. They are at the same time consumer, agricultural supply and agricultural marketing. In addition to selling fresh produce from the collectives to urban members through urban stores, they procure the other products of the collective farms either as raw material, for processing and resale, or, in their capacity of official agents of the State, for direct delivery to the State, state shops in the larger towns or to various state-directed, and other, enterprises. Thus, they play a considerable part in the purchase of different farm products (for example, U.S.S.R., 1961 - eggs and wool 100 per cent., melons 82 per cent., furs 62 per cent., potatoes 53 per cent., vegetables 47 per cent. of the whole country's marketed production).

63. Some consumer societies in Finland also include the marketing of agricultural produce as one of their functions. S.O.K. and O.T.K., two national wholesales, compete with private traders and with each other in this trade. The two movements together are responsible for about 40-45 per cent. of Finland's total trade in agricultural produce. Other countries which have a higher percentage of the total national trade in agricultural produce include U.S.S.R. and Yugoslavia - for reasons stated in the previous paragraph - and the United Kingdom. The British movement is an essentially consumer movement, and the percentage of agricultural produce in its total trade consists almost exclusively of sales to co-operatively organised consumers.

### Services

64. Competition changes in demand and, not least, increased cost of labour have led to a good many changes in the form and operation of co-operative shops. Self-service stores have been established in most of the countries of Europe, in North America and, among other countries, in Israel. In the United Kingdom where the co-operative movement was the pioneer of this form of trading, by 1960 slightly more than half of the self-service shops then in existence were run by the consumer co-operatives; in Sweden the figure was 2,350 out of 4,000. Czechoslovakian societies were said to have converted 2,800 shops to the self-service pattern by the same date. Societies in many of the countries have, in addition, been opening supermarkets. Both these types of shops are not, and it is doubtful if they will ever be, the universal method of co-operative trading (even in the United States there has been some revulsion from a system



which makes the customer do all the work) but they are appropriate to and welcomed, in particular in urban areas and elsewhere, where heavy trading is concentrated in a relatively short shopping period.

65. Other innovations within the operation of co-operative shops have been in line with modern retail trade techniques. They include, widely, the frozen food counters, pre-cleaning, pre-cutting and pre-packing of goods formerly sold in bulk; the use of travelling shops. Co-operatives in some countries (e.g. Czechoslovakia, Finland and West Germany) have started successful mail order businesses.

66. Consumer co-operative movements provide a great variety of other services to their members. Widespread are canteens, restaurants, laundries, tailoring and hairdressing establishments, hotels, convalescent homes, travel agencies, holiday camps. There are the additional services, as in the United Kingdom, of shoe repair workshops, funeral furnishing, sight testing and the supply of spectacles. In Poland, Hungary and elsewhere household equipment, as crockery, cutlery, refrigerators and washing machines, is, on occasions, hired out to members. In Czechoslovakia this service extends to holiday and sports equipment. Some co-operatives, as in Poland, run subsidiary co-operatives for medical treatment (see paragraph 436). In Uruguay, in addition to running a hotel a Transport Workers' Consumer Co-operative is organising a housing programme for its members and arranges a health service in conjunction with the national medical association. There are medical attendance services provided by some consumer co-operatives in Japan. Some co-operatives in that country provide communal bath houses, others supply water, electricity and one supplies gas.

#### Patterns and Functions of Wholesaling

67. Consumer co-operative movements in many countries have realised that the economic advantages, which they could offer their members, would be limited if they confined themselves to retail trade and left wholesale trade and manufacture in private hands. The work of co-operative wholesale societies began, as their name implied, with the negotiation of bulk purchases from manufacturers or importers of goods, which retail societies could not buy on such favourable terms themselves. This function, though still important, is perhaps less important than it was, since many large societies are in a position to buy quite as advantageously as a national wholesale society. In countries with state-planned economies wholesaling, as a co-operative function, is restricted by the extent of state participation in and control of trade. Nevertheless several consumer movements in such countries do engage in a certain amount of wholesaling and also in manufacturing and production activities.

68. The patterns of wholesale organisation are various. In many Western European countries, notably Scandinavia, the function of union and wholesale are performed by the same organisation. In Austria, Finland, France, West Germany and the United Kingdom, there are separate national unions and wholesales. The United Kingdom maintains separate wholesales to cater for the Scottish member societies, on the one hand, and the English and Welsh on the other. Denmark and Italy amongst other countries maintain more than one wholesale, whereas Sweden has one strong national wholesale organisation. In Canada there is one national wholesale, Inter-provincial Co-operatives which is bulk buyer on behalf of the provincial wholesales which are its member organisations. In the United States there is a national buying and manufacturing agency with regional wholesales as its members.

69. In the U.S.S.R. and other countries of state-planned economy, co-operatives may order goods direct from state factories and import boards, from co-operative factories or occasionally from private organisations. Or the primary societies may be supplied by district unions equipped with buildings and staff to carry on wholesale trade. These may in turn be supplied by the regional unions, or the unions merely bulk orders and do not physically handle goods.

70. In India, where primary co-operative stores are, in some States, federated into district sholesale stores, the Third Five-Year Plan provides for a three-tier organisation with a co-operative wholesale society at the apex in every State. Ceylon has a similar apex society, with co-operative stores unions as intermediate links with the primary co-operative store, and

multi-purpose unions with the multi-purpose co-operatives. In Japan there is the central federation which is also a union and a few regional federations which are less effective as intermediaries in trade than in their function in guiding and unifying the co-operative movement. In Egypt there is a national co-operative wholesale society which replaced a system of regional wholesales. Israel began with a central wholesale society (Hamashbir Hamarkazi) and went on to form primary consumer societies. Its area of operations was nation wide. This national wholesale, which now has agricultural as well as consumer co-operatives amongst its members, is the most powerful trading organisation in Israel.

71. The same rather unconventional manner of starting the consumer movement from the top by the establishment of a central national wholesale before there was any significant coverage of the retail trade by co-operatives, has been used, with, to date, no marked success, in several of the developing countries of Asia and Africa. In Ghana, then Gold Coast, the Co-operative Wholesale Establishment was formed in 1948 with a government-guaranteed loan. This wholesale ran at a loss and was liquidated after a Commission of Inquiry a few years later. In Malaya the Central Co-operative Wholesale Society was registered in 1949, with only 15 retail consumer societies then in existence in the country. However, this wholesale has not commanded the support of more than 50 per cent. of those retail consumer co-operatives now registered in Malaya, and is not financially strong because of the large number of outstanding debtors amongst its member societies. In Western Nigeria, attempts were made after the Second World War to reorganise the existing Co-operative Supplies Association as a wholesale importer, with the function of opening retail branches throughout the region. The experiment has had limited success, but the position remains insecure and the movement has had recourse to expert help from Israel and international organisations to solve its problems. In Tanganyika, the Co-operative Supply and Trading Association has been set up on similar principles to supply the few existing consumer co-operatives and all co-operatives of other types, with consumer, agricultural and other requirements, and to promote the opening of retail shops throughout the territory.

72. Retail shops have been opened by the central wholesale organisations in Tanganyika and Western Nigeria. This running of retail stores, other than specialist chain stores (e.g. para. 120), by co-operative wholesales societies has been practised elsewhere than in Africa. In Europe, for example in Scotland, the Scottish Co-operative Wholesale Society adopted the system in order to introduce consumer co-operation into the thinly populated highlands and islands. In England it was initiated by the Co-operative Wholesale Society at first as a means of salvaging societies brought to the verge of collapse by the great industrial depression of the 1930s. It has since been extended to deal with problems of small societies, faced with a sudden increase in population in the area served, or unable to arrange an amalgamation which would bring their operations to an economic level and allow for continuous development.

73. In the countries of developed economies, the tendency towards amalgamation and larger trading units has already been noted (paragraph 32). This may be illustrated within the wholesale movement by the establishment in many of the countries of regional warehouses, with which the central wholesale can deal on more favourable terms than it would be possible to give numerous small primaries. An example is the V.S.K. in Switzerland, where the setting up of such warehouses is an important step towards managerial concentration without impairing the federal democratic structure of the local societies. The largest regional warehouses in Switzerland now serve 135 branches. Both in Norway, and in particular Sweden, regional or district warehouses have been built. In the U.S.S.R. under the Seven-Year Plan for 1959 to 1965, there is envisaged a development of inter-district general wholesale bases, to facilitate the distribution of goods received direct from industry. In North America, a similar use of district or regional warehouses to serve several societies is widespread, (e.g. Saskatchewan, Canada where the provincial wholesale has six central warehouses to serve its affiliated members).

#### Production

74. At an early stage most co-operative wholesale societies started to purchase raw materials for processing and manufacturing in their own factories. The motive was partly economic because real savings were effected and a cheaper and better article obtained; partly defensive since the movement feared

monopoly, or even boycott, by private manufacturers; partly ideological since it had always been the aim of the co-operative movement ultimately to arrive at complete control of the economic process from the instrument of raw material to the consumption of the finished article. In those countries where the consumer movement has a state-allocated role to play in a planned economy, societies at national, regional and primary level have engaged extensively in productive enterprises. They do so as a significant part of their function to make the maximum use of raw material received from collectives and to provide for the increasingly varied needs of the rural and, as in Poland, of the urban population.

75. The Kooperativa Forbundet (K.F.) the national wholesale of Sweden is a striking example of a co-operative successfully entering the field of manufacture, choosing often not the easiest lines in which there was least competition, but those in which private monopoly was already entrenched and had to be broken. K.F. started the manufacture of electric light bulbs and brought down the price 40 per cent. then went on to the manufacture of margarine which soon brought its price down to a reasonable economic level. The same happened with flour and a few other commodities.

76. In Sweden and elsewhere in Western Europe, there is a considerable variety in the goods manufactured by consumer co-operative enterprises. In general, it may be said that the movement is strong in flour milling, baking and in the production of processed and manufactured food stuffs and basic household requirements, especially when, as in the case of margarine and soap, they are based on important raw materials. Successful examples of utilising raw materials of a country for the production of other types of goods include the paper milling in Sweden, saw mills and joinery of Finland and a small wool scouring plant and textile factory in Iceland.

77. The manufacture of clothing, furniture, footwear and some articles of major household equipment, though widespread in Western Europe, has not been so successful. There has been a good deal of discussion as to whether the failure of the co-operative movement to capture as large a section of the dry goods as of the food market is due to failure of co-operative shops to sell dry goods under suitable conditions or failure of the factories to gauge public tastes and standards. The tendency now is to give a good deal of autonomy to co-operative factories producing such articles as clothing and to leave to managers and designers the responsibility for turning out goods which co-operative members will want to buy.

78. Output from the 200 factories operated by the two wholesales in the United Kingdom accounted for about 40 per cent. of the aggregate value in 1960 of the wholesale production of societies affiliated to the I.C.A. (excluding those from Eastern Europe). The Co-operative Wholesale Society flour mills which produce about 15 per cent. of the national output are among the most important in Britain.

79. In Canada, Inter-Provincial Co-operatives, the national wholesale has its own manufacturing plants. Some for processing food stuffs, flour milling, coffee roasting, fruit and vegetable canning, but the larger number being concentrated on the manufacture of farm requirements like modern feed and fertiliser. The wholesale operates a saw mill, a coke manufacturing plant, a coal mine, some 60 oil wells and a petroleum refinery.

80. Many of the regional wholesales of the United States have their own productive enterprises, also mainly for manufacture of goods required by the farming community. As in Canada, one of the most striking developments has been in petroleum products through the ownership of oil wells and refineries.

81. In the U.S.S.R. and other countries of Eastern Europe modern flour milling, the processing of sugar, tobacco, cotton and other industrial crops and the production of most factory-made goods, such as textiles and household equipment, are state industries. There is, therefore, little opportunity for the co-operative movement to extend very far in the productive field. However, many primary societies own and operate small food processing plants including bakeries and butcheries. Unions sometimes own creameries or factories for fruit preservation and the making of soft drinks. There are small flour mills sometimes owned by co-operatives. Centrosoyus (U.S.S.R.) has introduced the production of ready-made clothes, furniture, crockery and other household and "cultural" goods. Important local raw materials have been utilised in producing bricks, lime, tiles and sawn timber and other building materials. The Polish urban co-operative

movement, the productive undertakings of which were nationalised soon after the war, have since resumed the manufacture of such products as soap, candles, polishes and various food stuffs.

82. In most countries of Asia, the Far East, Africa and South America, it will be some time before consumer societies or even their federations move on from distributing goods for consumption to producing these goods themselves. Their immediate problem is to establish their business as distributors on firmer foundations. The notable exception is Israel where the central wholesale manufactures many of its members' requirements (e.g. soap, edible oils, textiles, paper) and also requirements (e.g. small tractors) of the agricultural settlements. In Japan no more than about 2 per cent. of the goods stocked by co-operative stores are co-operatively manufactured. There are some instances in India and Ceylon where rice mills, flour mills and oil presses are owned by co-operative stores for the processing of goods required by members.

83. Many co-operative factories are simply departments of the national wholesale society. Some are wholly owned subsidiaries with their own capital structure and their own boards of management. Some are jointly owned by the wholesale and a group of retail societies (e.g. flour mills and other factories in Switzerland); some by the wholesale and some other type of co-operative as agricultural or fishermen's societies (e.g. fish canning in Western Germany). Some are owned or operated by the primary societies themselves (e.g. India, Eastern Europe, Denmark) or by local societies of different types (e.g. home-produced meat, dairy production: Sweden, Switzerland). In some countries, as the United Kingdom and France, there are factories run by workers' productive co-operatives in which consumer societies may also be shareholders. In Israel, the central wholesale has a 50 per cent. shareholding in numerous industries manufacturing tyres, fertilisers, chemicals, and other goods. Wholesale societies sometimes have direct relations with private firms in the production of goods to their own specification. This is the case in the United States with the National Co-operatives Incorporated which bulk purchases a variety of goods by large-scale contracts with existing private factories.

84. Co-operative production like any other branch of industry is subject to the normal processes of change and obsolescence. The invention of detergents, for example, has greatly reduced the demand for soap, the production of which was an important co-operative industry in many countries. New needs, such as electrical goods, radio and television sets have called into being new productive departments. The difficulty here is that many of these articles are highly complex and the component parts can only be made economically on a larger scale than the co-operative market would justify. The usual solution has often been co-operative assembly rather than actual manufacture.

#### International Co-operative Trading Organisations

85. These are of great importance and are likely to be increasingly active in the future. The oldest is the "Scandinavian Co-operative Wholesale Society" (Nordisk Andelsforbund) with headquarters in Denmark, a membership of six national co-operative organisations (Denmark, Finland (two organisations), Iceland, Norway, Sweden), and a turnover in 1959 of about £18,000,000. A sister organisation, the Nordisk Andels Export has been in business since 1959 and had a turnover of £1,400,000 in 1959. Its operations include trade with non-members as well as trade (65 per cent. of its total turnover) with the six Scandinavian wholesales which are members. In the course of 1959, in addition to its staple trade, the Nordisk Andels Export despatched cotton goods to Nigeria, furniture to Liberia, radio sets to Oran, sardines to Hungary and insecticides to Cuba and Brazil. The International Co-operative Petroleum Association with headquarters in the United States, has as its members co-operative organisations; in amongst others, such various countries as the United States of America, Sweden, Egypt, Yugoslavia, France, Norway, Holland, Germany and Israel. The New Zealand Produce Association has as its members the two co-operative wholesale societies of the United Kingdom and the New Zealand Producers Co-operative Marketing Association. The Swedish Kooperativa Furbundet has formed joint undertakings, with other national co-operative organisations, for the production of electric lamps.

86. In addition, in Western Europe, most of the national wholesale societies carry on trade with other countries. In Eastern Europe likewise, several unions have set up exporting enterprises for reciprocal trade with foreign co-operative organisations. (For example Bulgarco-op (Bulgaria), Polco-op (Poland) and Hungaro-fruct (Hungary): an organisation which markets the country's fruit in

other parts of Europe.) Centrosoyus of the U.S.S.R. has concluded agreements in mutual deliveries of goods with over 20 other national co-operative organisations. International trade has, in the past, been handicapped by tariffs, currency controls and export or import wholesaling regulations. The general movement towards a breakdown of these barriers and the need to get to grips with conditions created by the resultant regional economic units and free trade areas may well widen the scope for co-operative organisations and participation in trade at international level.

### Sources of Capital

87. Consumer movements draw their capital from a number of sources: members' share capital; reserves built up from trading surplus; unappropriated surplus; members' loans and deposits; loans and deposits from other sources; trading credits. There has been a definite policy within the movements in many cases of gradually increasing the proportion of "own" and members' funds in the total capital of societies and of providing as large a part as possible of the financial needs of the national consumer movement from co-operative resources. The rate of implementation of this policy of course varies from country to country.

88. The minimum share-holding which qualifies for membership in a co-operative is deliberately kept low in order that no one may be excluded. In most consumer movements (examples, U.S.A., U.S.S.R. and many other countries in Europe) members are encouraged to allow their dividend on produce to be transferred to their share account. In this way considerable sums have been accumulated.

89. In the U.S.A., in particular, consumer co-operatives (as well as those of other types) have come to rely less on the member investment of patronage refunds for their capital and more on the direct sale, preferably to members, of preferred stock and other securities, bearing a regularly payable but varying rate of interest. Although this has resulted in one urban consumer society in the United States having to exercise care to avoid over-capitalisation, in general, member investment has not always been as heavy as it could be. In Europe members' loans and deposits play an important part in the provision of capital - sight deposits, deposits at fixed term, long-term loans, bonds and debentures (in West Germany, however, consumers' societies are not allowed to accept members' deposits).

90. The build-up of reserves out of surpluses has been affected by different factors in different countries: for example, in the United Kingdom where a tax was imposed which was not payable on that part of the surpluses credited to members as dividends; in the countries of Eastern Europe, notably U.S.S.R., where the allocation of surpluses is regulated to create special funds for cultural and training purposes in addition to providing for working capital, capital investment and business expansion.

91. Some societies rely on the organisations that sponsored their formation for a large part of their capital. An example is the Labour Bank of Japan, the bulk of the resources of which are derived from the trade unions. Most of these funds are reloaned to consumers' co-operatives. In Israel the Central Wholesale Society has set up a subsidiary known as the Consumer Co-operative Fund Limited in which the Wholesale is the principal shareholder. Its main role is to finance consumers' co-operative societies in opening new departmental stores and extending their activities. The trade unions and other associations in South America that have started several of the consumers' co-operatives largely contribute to their capital.

92. In many of the developing countries of Africa and Asia members' participation in the total capital of the societies through shares and deposits is of necessity limited and the turnover and initial trading surpluses are not usually substantial enough for a big build-up of reserves. Governments of such countries have lent considerable sums of money at very low rates of interest in attempts to accelerate the growth of their consumer movements.

93. In the United States of America the co-operatives supplying agricultural requirements have the opportunity of borrowing from government-sponsored banks for co-operatives. The urban co-operatives do not have this privilege. The Co-operative Finance Association was set up with one of its important aims, the adequate financing of such co-operatives as well as those of other types.

94. In the countries of state-planned economy there are central funds held by central unions to which affiliated societies make contributions from surpluses, and which are used to make loans to societies in special need of capital for development and other purposes. In some of these countries the central organisation acts as a channel for the main source of credit - the State Bank; in others, unions or even primary societies deal with the State Bank directly. In Rumania, however, there is a National Co-operative Credit Union with banking functions.

95. A policy confined largely to Western Europe and motivated by a desire to be as self-reliant as possible in financial matters, has been the setting up of banking institutions by the consumer movements. In seven countries there are one or more separately constituted co-operative banks connected with consumer co-operatives (Austria, Belgium, France, Iceland, the Netherlands, Norway and Switzerland), two in which a bank has been established largely on the initiative of trade unions, but in which the consumer movement is a shareholder (Germany, Denmark), and three (England, Scotland, Finland) in which there is a banking department of the co-operative wholesale society.

96. These banks and banking departments vary considerably in scale. That of the English Wholesale Society has total resources of about £180 million, while a recently formed Norwegian bank has total resources of little more than £2 million. All these banks grew in the first instance from the need to facilitate trading operations of wholesale and retail societies and in the second place to provide an opportunity for reinvesting on short- or long-term the surplus funds of retail societies. Some of these banks use the retail societies as their branches, many draw funds from other sources and handle other types of business. As already noted, in the previous paragraph, some are joint co-operative-trade union undertakings and these, as well as others not so constituted, act as bankers for trade unions and provide for the investments of their very considerable funds. Some also hold the accounts of friendly societies and clubs, as well as of local authorities. All this contributes to the volume of capital available, under proper safeguards, for co-operative development.

97. In some developing countries, governments pursuing a similar policy of encouraging self-reliance in financial matters, but within the co-operative movement as a whole, have set up co-operative banks which include not only the consumer co-operatives, but also societies of many other types.

98. With the exception perhaps of most of the developing countries, where consumer movements are still largely reliant on "external" borrowings, usually from government, most of the consumer movements have been successful in increasing their proportions of "own" capital in recent years. In Cyprus owned capital and deposits account for 100 per cent. of the value of stocks in most cases and reflect an exceptionally healthy position. In Western Europe, as examples, the wholesale societies of the United Kingdom rely on no more than 10 per cent. external borrowing; of Denmark no more than 26 per cent. In Canada members' equity and reserves accounted for 44 per cent. of the total assets of the Co-operative Wholesales in 1960. In Hungary "own" capital in the rural consumer co-operatives ("farmers' co-operatives") appeared to rise from 30 per cent. of the total assets in 1953 to 52 per cent. in 1958.

99. On the whole, and in the absence of complete figures, it would appear that the well-established co-operative movements are fairly well provided with capital for their present needs, even though some have to rely more heavily than they would wish on outside borrowing. Whether they have enough capital to carry through all the modernisation which they know to be necessary, or even to increase their membership in several countries to a more significant percentage of the national population, is more doubtful and is the subject of a good deal of thought and discussion.

100. Further important sources of capital are the co-operative insurance societies attached to, or created by, consumer movements. They serve a triple purpose. Then ensure the business risks of the co-operative movement itself, including fire, burglary, accident to vehicles, third party risks and employers' liability. They provide a service for members, including all the above risks, as well as life insurance, disability and old-age pensions. They attract funds to co-operative movements, which, with due regard to the prudent margins of liquidity, can be reinvested in capital development.

101. National co-operative insurance societies, wholly or partially owned by, or having the closest links with the consumer movement, exist in ten countries of Western Europe (Belgium, Denmark, Finland, Germany, Iceland, Italy, Norway, Sweden, Switzerland and the United Kingdom). In the United Kingdom, no less than 23 million persons have taken out life insurance policies with the Co-operative Insurance Society and the annual premium rate runs at £50 million, covering an insured value of £736 million in 1959.

#### Relations with Governments

102. The relations of consumer movements with governments vary with the extent to which a government actively participates in and controls or directs the national economy.

103. In Western Europe and North America and other countries where the economy is based on largely free competition, the movements have no special relations with government apart from the fact that in some, but by no means all, of these countries, the laws under which the societies are registered lay down in greater or lesser detail how they should be conducted. The ultimate right is usually reserved for intervention by the appropriate public official, should the co-operatives exceed their powers or fail to comply with regulations laid down for their benefit. In the United States of America, as mentioned in paragraph 93, some financial aid is given to the rural movement through government-sponsored co-operative banks and in Canada, some of the Canadian provincial governments give help and encouragement to co-operative development. One province, Saskatchewan, has a Department of Co-operation and Co-operative Development with a Minister and Deputy Minister; the only such department in North America.

104. In two countries, Spain and Portugal, the link is much more formal. In Spain, for example, all co-operatives are organised in regional and national unions and the managing committees of the latter are subject to official confirmation by the National Delegation of Syndicates and the Ministry of Labour, which exercises a general supervision of the movement through the provincial and national syndical organisation.

105. Though co-operation by tradition and in some countries by law is politically neutral, there have been one or two breaks with this tradition in Western Europe. The British Movement has had its own political party since 1916 and this party has worked consistently with the Labour Party since that date. The Belgium Consumers' Movement is also allied with the Socialist Party of that country; one of the two national Italian Co-operative Organisations is linked with the Christian Socialist Party and the other with the Communist Party. The motive behind these affiliations has in general been twofold. In the first place, movements which aim from the beginning at improving the position of the working class have perhaps naturally formed alliance with other institutions proclaiming the same objects. In the second, a co-operative movement of a large scale has inevitably wide material interests which may be adversely or favourably affected by legislation or administration.

106. Most national co-operatives in Western Europe and North America, whether or not they have entered politics, have had to protect their interests by establishing contacts with government departments. These interests include: taxation; labour legislation, especially that affecting the working conditions of shop assistants; measures affecting the price and availability of food, such as import quotas, marketing boards, consumer rationing; measures relating to monopolies, combines, chain stores; contracts held to be in restraint of trade, any of which may be applied detrimentally to consumers' co-operatives. In a few of these countries, consumers' co-operatives may benefit from government intervention, chiefly in the form of loans from state-aided banks used for development purposes. But this is unusual and by most Western European co-operative movements undesired, because they regard complete independence from state control as a principle of their existence not lightly to be compromised. Their relations with government tend therefore to be directed to maintaining co-operative freedom of action and the co-operative place in the general economy.

107. In other parts of the world relations of consumers' movements with their governments are important in the fulfilment of national plans or in collaboration with government projects. In the countries with state-planned economies, such relations are close, continuous and of an organic character,



since the co-operative in all its branches fills an assigned section of the state plan. Co-ordination with the planning authorities takes place at national, regional and district levels. Credit to the consumer movement is largely controlled by state banks and leading personnel within the movement must be acceptable to the State. In general, the volume of retail trade turnover, the size of marketable stocks, the expansion of the trading network and the general level of expenses must be closely tied with the national economic plan. Many day-to-day activities, building and equipment programmes, and the expansion of cultural and educational services, in addition to the working out of the details of implementing its part in the national plan, are the responsibility of the movement itself. It seems also that district unions and even primary societies can, if they wish, exercise a certain degree of initiative and through their regional and national organisations put forward their own plans. The leaders of national organisations, many of them men of long service and great experience, doubtless often influence the national plan as it affects the economic activities of the movement.

108. In countries with developing economies, governments are often very active in the promotion of consumer co-operative development by substantial financial aid and other means. In Asia, the consumer movements in India, Burma, Pakistan and Ceylon were rapidly built up to meet the needs of wartime rationing. Now, in these countries, consumers' co-operation is an integral part of national economic plans. For instance, the Third Five-Year Plan of India has provided for the establishment of 2,200 primary consumers' stores and 50 wholesale stores with state participation in their share capital if necessary as these institutions "will be of the greatest help not only for the stabilisation of retail prices, but also in preventing the evils of adulteration in foodstuff". Similarly, in Pakistan the Government is promoting the development of the consumer movement, backed by loans and subsidies. In Ceylon, the Government assisted the economic growth of the Co-operative Wholesale Establishment by having made it the sole agent of some of the foodstuff that comprises the staple diet of the population.

109. In South America, in Colombia, the consumer movement is considered by the Government in part as a price-regulating agency and is represented on all organisations concerned with price control. However, though governments in South America are generally favourable towards the movement, have provided in their co-operative laws a satisfactory framework and have made some minor concessions to the societies' advantage, there has not been the active promotion of the movement that there has been elsewhere.

110. In Africa, in particular, many governments are vitally concerned to stimulate the growth of consumer co-operation. Co-operation for this purpose is in fact not so much a spontaneous movement (although there has been popular interest) as an attempt by governments to solve some general national economic problems.

#### Education and Training

111. Education of staff, in all branches of retail and wholesale distribution, in management and specialised trades is recognised by all consumer movements and by many governments, especially in the developing countries, as of vital importance for the expansion of the consumer movement. As education programmes are often (though not always) organised and implemented by co-operative movements, as a whole they are discussed separately in Chapter 7.

#### Trends and Problems in Administration and Management

112. In all countries where consumer co-operation is highly developed the movements are actively concerned in seeing that their methods of training and the range of goods and services they offer keep pace with the frequently changing and improving modern techniques and new patterns of demand. In countries of basically competitive economies the aim is to ensure that the movement can compete effectively in trading and expand its membership. In those countries where the economy is largely state planned the object is to make more comprehensive and extensive the range of goods and services available to members as part of a national drive to raise the living standards of the population.

113. A searching examination of a national consumer movement was made between 1955 and 1958 by the Independent Co-operative Commission appointed by the British Co-operative Union to "prepare a report and recommendations designed to secure the greatest possible advantage to the movement from its manufacturing wholesale and retail resources". The Report has had considerable influence on



the thinking, not only of the British movement, but also of consumer movements in many other European countries. The following is a brief summary of its conclusions and recommendations.

114. The Report began by noting that the co-operatives' share, 11 per cent. in total retail trade, had increased little since before the Second World War and that in certain fields, notably dry goods, there had often been a decline. Wholesale societies had increased their share in retail societies' sales of food-stuff, but not of manufactured goods. This - the relatively stationary position of the movement - and the failure to play an effective part in producing and retailing goods other than food constituted the problem.

115. In re-examining co-operative principles in the light of modern conditions, the Commission made no criticism of the principle of fixed return on capital and the distribution of surplus in proportion to business done. It reaffirmed the principle of democratic control.

116. The Commission recommended that co-operative prices should be based on the market price, but this should be interpreted as the price charged by the most successful competitor in each trade and area. In management a clear division was urged between elected committee and paid manager, a reduction in the number of committee meetings and a clear management structure, with job specifications and an explicit chain of command. It was recommended that the Co-operative Union should prepare an amalgamation scheme. The Finance, Research and Statistical Departments should be enlarged, aiming at the provision of regular yard sticks of trade and capital programmes by which the relative efficiency of societies could be judged.

117. The Commission recommended that the greater proportion of capital expenditure in the next few years should take place in the retail rather than in the productive field. It was even suggested that the range of production lines might be narrowed in order to concentrate on expanding those in which the movement enjoyed a special advantage.

118. The Commission's recommendations on the organisation of the English and Scottish wholesale societies were more controversial. It was proposed that the function of democratic control should be exercised in each wholesale society through a part-time supervisory council which should in turn appoint a management board to be managerially responsible for the organisation as a whole. It was further recommended that the work of the wholesale societies should be departmentalised in large functional divisions.

119. Finally, the Commission found that there were a number of fields - technical, advisory services, specialist chain stores, finance - in which the efforts of local societies needed to be supplemented and reinforced by national action, and suggested the formation of a Federal Co-operative Retail Development Society.

120. The Report of the Commission was discussed at successive National Congresses of the British Co-operative Union. The recommendation regarding amalgamation was adopted and is slowly being implemented, though by no means consistently, throughout Britain. The wholesales have done much to departmentalise the management structure and the responsibility of directors, although the constitution of the board remains unchanged. The idea of a co-operative retail development society was turned down in favour of an expansion of the advisory services of the union through a new development and advisory service department. The two national Co-operative Wholesale Societies, in conjunction with local societies have been entrusted with the promotion of specialist chain stores of which the first, a footwear chain, has already been started.

121. Other European consumer co-operative movements have been thinking on similar lines. At the Netherlands Congress in 1959 the central organisation was given increased powers and was made responsible for all projects, development plans, advice on shop layout, prices, and for the appointment of the higher management of district societies, provided 75 per cent. of their councils accept the arrangement. Rules concerning the accumulation of reserves have been strengthened.

122. In Sweden the aim is larger production units and better regional stores; larger shops; a rationalisation of costs and prices; more scientific technical research; increased sale of motor cars; the development of specialist chains. The Danish Wholesale (F.D.B.) has adopted a plan of rationalisation and an association has been formed to take over department stores and dry-goods shops. The suggestion is being studied in Denmark that the primary consumer co-operative organisation for the country should be one central society. In Finland there is a move towards greater stress on the sales of household equipment, motor vehicles and leather goods. Norway has appointed a proportion of full-time directors to the board of the National Wholesale Union (N.K.O.). In both Finland and Norway there has been emphasis on appeals to the tastes of youth.

123. The French Co-operative Congress has asked for more research aiming at the social and economic rationalisation of the movement; the introduction of new retailing techniques (self-service supermarkets); the concentration of resources and finance; an active price policy and a modest dividend; improved training of young officials. The Belgium Congress of 1960 adopted "a plan for co-operative extension". This included increased sales and membership; rationalisation with a view to increased productivity; increased vocational training for staffs; improved membership relations through education; concentration of societies and increased co-operative use of capital in the hands of co-operative insurance and savings organisations. The Swiss Co-operative Congress of 1960 stressed the need for rationalisation, reduction in production and distribution costs and concentration on improving the status of the co-operative dry-goods trade.

124. In Western Germany a complete reorganisation and rationalisation was of necessity carried through after the Second World War when the movement was restored after its virtual suppression by the Government of Hitler, and the regionalisation of its enterprises in the early period of Allied occupation. Since then emphasis has been on modern methods of retailing and the vocational training of employees and officials.

125. In Austria also, advanced management training has been incorporated in the educational programme of the movement for 1961.

126. In the U.S.S.R. the Seven-Year State Plan for 1959 to 1965 provides for a rapid and considerable development in retail turnover, in raising the standards of public catering and of service to the public, in extending the network of personnel service establishments, and in expanding procurement activities and the processing of agricultural produce. An increase in the numbers of shops and in such modern innovations as mobile shops and self-service stores are envisaged, as well as a considerable widening of the range of luxury and semi-luxury goods, in particular, refrigeration equipment. Considerable attention is also being paid to the training of personnel through higher education establishments, technical schools and trade co-operatives. The programmes of expansion are similar elsewhere in Eastern Europe, including the urban movement of Poland which has the added incentive of having to increase its volume of trade in the face of competition from other types of trade organisations.

127. In North America the size and complexity of the co-operative enterprise and the fierce competition from all forms of private trade calls for considerable skills in business management. The Co-operative League of the United States of America, together with regional wholesales, has instituted management development programmes. The general policy of the consumer movement is to develop the modern techniques that make up the general pattern of retail trading in the country. There is also concerted effort by the members and managing authorities of societies operating in the areas with the help of the Executive Board of the Co-operative League to "break into" urban areas on the east coast of the United States from Boston to Washington.

128. There are moves towards the consideration of problems common to the consumer movement as a whole, or to certain regional or economic sections of it, by committees or conferences attended by several nations. The consumer movements in the European Common Market countries joined together to form a committee to watch over developments within the Common Market and to advise their member organisations of any appropriate action necessary for the protection of their interests. The co-operative wholesale societies in the European Free Trade area have had a conference to investigate the possibilities of closer collaboration in trade and production. The International Co-operative Alliance has set up two auxiliary committees, the Co-operative Wholesale Committee which carries out re-

search aimed at the improvement of wholesale activities throughout the member countries, and the Committee on Retail Distribution that has made research into such important problems as food and distribution and the operation of department stores.

129. Many of the consumer movements in countries of developed economies have recognised the need to give assistance to those where the economy is still developing. In addition, the governments of such developing countries, having regard to the limitation of their own resources, have called upon specialised agencies of the United Nations, such as the International Labour Office, to help them solve the problems of the satisfactory development of consumer co-operation.

130. In Asia and Africa, Israel alone may be said to have a well-founded consumer movement. This movement is exercising itself in the most "sophisticated" problems of amalgamation, modernisation of shops and retail distribution and the specialist training of personnel. Japan, India and Ceylon are still working out basic organisational structures with the tendency, particularly in rural areas, to tie up the distribution of consumer goods with other functions, such as marketing. An International Labour Office Report on the Malayan Consumer Movement has suggested its link-up with credit societies. In Africa there appear to be the two trends of: the formation of a strong central national wholesaling society (paragraph 71) and, in rural areas, as in Asia, of using marketing co-operatives to channel consumer goods to the rural populations. In all these countries, in addition, great stress is being laid on education of personnel.

131. To date, the consumer movement in such countries has not had marked success. This is due in places like India and Malaya to the fact that consumer co-operatives were set up under very favourable, but nevertheless abnormal conditions to ensure the fair distribution of commodities in short supply. When the monopoly given to them was removed, many societies failed in the face of considerable and unaccustomed private competition. In these countries and in the developing countries of Africa, there is still a low level of general education and therefore a scarcity of efficient committees and management (this accounts for the development of the multi-purpose society and for the general concentration on educational programmes). There has been a lack of suitable sources of supply and misguided buying (which is the reason for the establishment of central wholesales run by specialists from countries with developed co-operative consumer movements like Israel and for the build-up of intermediate wholesaling organisations). The granting of credit has been largely uncontrolled (credit can possibly best be controlled in the rural areas at least if the society has a lien on the member's cash crop through its marketing functions). Finally, there is a low rate of purchasing power and consequent low turnover which can only be increased by the general economic development of the countries concerned.

### Chapter 3

#### Agricultural Co-operation

##### Section 1. Definition and Statistical Estimates

###### Definition

132. For the purposes of the present survey agricultural co-operation has been taken to include co-operative organisation for all purposes designed to help the agriculturist in his professional capacity as a producer. It thus includes marketing, supply, credit, insurance of farm property, co-operative management of land, and various services such as livestock breeding and the use from central pools of tractors and other agricultural machinery. Excluded, as far as possible, are rural consumers' societies (Chapter 2) and forestry co-operatives (Chapter 5).

###### Statistical Estimates

133. There is insufficient statistical data uniformly available to illustrate on a common basis of comparison the different trends and developments within the agricultural co-operative movement. In general, however, the trend in the developed countries appears to be towards amalgamation into large economic units and an increase in turnover; but, at the same time, to a decrease in total membership as fewer people are engaged in agriculture. In developing countries there are marked increases in turnover and membership, as part of a government-inspired increased productivity programme and as the movement reaches a wider number of farmers. In the countries with a state-planned economy the pattern, though not consistently, is increased productivity comprehensively planned, generally through collective farming.

134. Agricultural co-operation flourishes in all parts of the world and among farmers of every type, large and small, technically advanced and technically backward, producing every kind of crop and animal in every climate. The actual form and purpose of co-operative action varies a good deal. Usually each country started to organise one form of agricultural co-operation - credit in Central Europe and India, marketing in Scandinavia, the United States and Africa, agricultural supply in Great Britain - and then went on to develop other economic activities co-operatively. Sometimes more than one function is carried on by a multi-purpose society. Groups of societies in the same area, but with different purposes, almost always have an overlapping membership and often overlapping committees. These organisations are generally closely linked with one another through national organisations and local contacts.

##### Section 2. Agricultural Marketing Co-operatives

135. Co-operative marketing is usually organised to cope with one or several of the following problems:

- (1) the inefficiency of, and the extortionate practices in, the existing marketing system;
- (2) the need for processing facilities, usually at factory level, to enable the sale of the products to be made directly to the consumer;
- (3) the lack of local marketing facilities;
- (4) the increasing need for good quality and for sale by grade.

Marketing, therefore, may cover any, or all, of the following: purchase and re-sale; grading; packing; conditioning; processing; storage; manufacture.

###### Commodities and Methods of Handling

136. Milk was the first commodity marketed co-operatively in the temperate climates of both the northern and southern hemispheres. Initially co-operatives concentrated on the production of butter and cheese. With the growth of urban populations, of more stringent health regulations governing the supply of liquid milk, of new methods of preservation and of new industrial uses of milk deriva-

tives, co-operatives dealing in this commodity have now extended their activities to the production of pasteurised bottled milk, condensed milk, ice cream and milk powders and, in the industrial field, to the production of casein and plastics. In tropical countries the co-operative handling of milk is on a much smaller scale because of the difficulties over communications and climate, and the relatively smaller demand. Nevertheless, Kenya is a notable example of the co-operative supply of liquid milk, butter and other by-products to the mainly urban consumer. In isolated districts co-operatives manufacture ghee.

137. Factory-processed meat, especially bacon, was another early subject for co-operative organisation in temperate climates. The development has been on similar lines to that of dairying, with the production of various forms of preserved and processed meat and the utilisation of by-products. The need to regularise quality and grade, and the opportunity, notably through cold storage, of regularising market releases over the year has brought livestock marketing into increasing favour. Co-operative marketing of livestock in tropical Africa is only in its early stages as the problems of communications begin to be solved and the old tribal traditions of cattle as a status symbol broken down. There are now livestock marketing societies in Basutoland and Tanganyika, and the movement is spreading. The co-operative handling of wool rarely involves processing but calls for great expertise in classing and grading. Most of the important wool producing countries - Australia, South Africa, Kenya, North America and the United Kingdom - have some co-operative organisations handling the product.

138. Of field crops the most important are undoubtedly the cereals, which are co-operatively handled on a large scale wherever they enter extensively into national or international trade. Wheat and maize, and to a lesser extent barley and oats, have all formed the basis for important systems of co-operative marketing in North America, wheat in Australia and the Argentine, wheat, rye, oats, barley and rice in Europe, maize and wheat in South Africa, rice in Asia and some parts of tropical Africa. The crops may be dried, cleaned and graded, stored and released on to the market gradually.

139. Potatoes and sugar beet come into the co-operative sphere through the factory. The production of beet sugar is a mainly co-operative process in the Netherlands. Co-operative production of potato starch and the distilling of industrial alcohol from potatoes is widespread in Europe.

140. Nearly all the staple tropical and sub-tropical cash crops are marketed co-operatively unless they are produced on estates or plantations so large that processing and handling can be carried out economically by the estate itself. Estate production is still generally the rule with tea in Asia and Africa, and with sisal in Tanganyika. However, coffee, cocoa, cotton, rubber, tobacco, sugar cane, oil seeds and kernels are all marketed co-operatively on a substantial scale. Co-operatives marketing these crops often include processing and grading among their activities. In the developing countries marketing co-operatives have played a vital role in the initial stimulation of the production and in the standardisation of the quality of these cash crops, where they are peasant grown.

141. The marketing of fruits and vegetables and their derivatives is widespread in both tropical and temperate climates. The activities of societies marketing these products are varied and may include the quick sale of fresh produce to nearby consumer markets, the sale of the less perishable fruits, such as citrus and bananas, to distant and often export markets, drying, canning and other forms of preservation, quick freezing, the production of wines, juices and concentrates. The United States, Israel, South and North Africa have led in the co-operative handling of citrus fruits; Ivory Coast and the Cameroons in bananas; California and Australia in dried fruits; the Netherlands in flowers, fresh fruits, tomatoes and salads. As in the case of milk (paragraph 136) the trend in recent years has been towards more diversity of use and technical expertise in conditioning, handling and packing.

142. Many co-operatives market only one commodity, or a restricted group of commodities (example, oranges, lemons and grapefruit). If members are mixed farmers with more than one crop for sale, they belong to several co-operatives (e.g. Denmark, France, Netherlands). However, there is a tendency in some of the developing countries of Africa, Asia and South America for the multi-crop co-operative to emerge. The single co-operative handling several crops avoids the necessity of multiplying co-operative organisations in areas where leaders and trained staff are not easily available. This method reduces the overheads and therefore the expense of marketing the often low-priced individual crop, and

is more in keeping, particularly in areas with poor communications, with the pattern of social life that has, as its centre, the often isolated village. Co-operatives frequently carry the processing of foodstuffs through to the final form in which they are sold to the consumer. When processing industrial crops, as coffee and cotton, their activities are usually limited to the earlier stages (e.g. cotton; ginning, but not spinning or weaving).

143. Some idea of the importance of the co-operative movement in the marketing of agricultural products throughout the world may be gathered from the proportion of the national trade in agricultural products handled by co-operatives. Table 4 is illustrative but by no means exhaustive. The figures refer to the year 1960 or those years immediately preceding.

144. In general it may be said that the collection and sale of agricultural produce is not carried out by specialised marketing co-operatives in Eastern Europe, China, and other countries in Asia, with state-planned economies, as North Korea and North Viet-Nam, as most agricultural production takes place on state or collective farms which carry on their own marketing. However, several of the governments of these countries use consumer co-operatives to handle agricultural products, procured from collectives and other sources, marketing those products to the State, to other co-operatives or direct to the consumer (Chapter 2, paragraph 62). Nevertheless, there are marketing co-operatives in Yugoslavia and Hungary, and in Poland where there are dairy and horticultural societies.

#### Membership Contracts

145. Amongst the criteria for a successful marketing co-operative is the necessity to be able to control a sufficiently large and constant volume of produce, first to ensure economical handling and to carry the necessary overheads, and secondly to make a decisive impact on the market. In most countries producers, on joining a co-operative, undertake to deliver all their produce of a specific variety, apart from quantities consumed on the farm. This may be a rule of membership or it may be laid down in an additional contract which the member signs. In many countries such contracts are readily enforceable in the courts, and the member who breaks his contract is subject to liquidated damages or sometimes to expulsion. In India and other Asian countries the contract to deliver may be linked with the grant of an advance from a co-operative credit society. In some countries, especially in Eastern Europe, but also in special circumstances elsewhere, (e.g. Ceylon, Japan) governments may direct the sale of produce to co-operatives. There is provision in the co-operative society ordinances of countries in East Africa for the compulsory delivery of produce to co-operatives by members and non-members alike, provided that 75 per cent. of the producers already deliver their produce to the co-operatives voluntarily. There is also the tendency in some developing countries for governments to set up commodity marketing boards and, where co-operative societies exist, to appoint them as sole agents of these boards.

Table No. 4 1960 Examples of Proportions of National Trade in Agricultural Products Handled by Agricultural Co-operatives

COUNTRY	10-20%	20-30%	30-40%	40-50%	50-60%	60-70%	70-80%	80-90%	90-100%
Canada	Eggs	Fruit Milk produce	Meat		Wheat			Wool	
France			Wines, Wool		Milk			Wheat	
Germany (W.)		Livestock Wines	Wheat			Cheese	Butter	Milk	Dry fodder, Fruit, Potatoes, Poppies, Vegetables, Poultry (1)
Hungary	Total Agri- cultural Produce (1)								
Iceland		Fish						Meat, Wool	
Ivory Coast	Cocoa Coffee							Poultry	Citrus, Bananas, Pineapples
Japan		Eggs		Vegetables	Fruit				Rice, Wheat
Kenya								Coffee Dairy Produce Pyrethrum	
Netherlands		Pork			Eggs	Milk Beet sugar		Cheese, Flowers, Fruit, Potatoes	
Nigeria	Soya, Palm Kernel (N. Region)	Cocoa (W. Region)		Coffee (W. Region)			Cocoa (S. Region)		
Puerto Rico			Tobacco		Coffee				
South Africa		Milk			Hides and Skins	Wool		Dried Fruit	Grain, Citrus (Export), Wine, Tobacco
Spain		Cotton, Cereals	Olives, Potatoes Wine	Fruit (Oranges)	Beet Vegetables	Hemp Tobacco			Rice
Sweden						Eggs (Wholesale)	Cereals	Meat	Milk
Tanganyika		Rice						Coffee	Cotton
United States	Meat	Grain	Wool, Milk		Fruit				

This table should not be used as a basis of comparison between one country and another, as the proportions of national trade are in many cases influenced by matters outside the control of co-operatives themselves (e.g. government monopolies given to co-operatives in marketing certain products).

(1) The differences in the percentages shown for Hungary are explained by the system in that country of dividing labour: the marketing of the products shown in the last column is the exclusive preserve of co-operatives. Marketing of other products such as grain, milk, and wine, and in livestock, cattle and pigs, is carried out exclusively by state trading organisations.

### Finance of Marketing Co-operatives

146. Marketing co-operatives require considerable capital investment of three kinds:

- (1) fixed capital (for buildings and other capital equipment);
- (2) working capital (wages and other recurrent expenditure);
- (3) short-term capital (for seasonal advances to members).

Advances to members may be in the form of a part payment on the value of produce delivered to the society, but before it has been processed or sold. Or there may be a payment in advance of delivery to enable the member to buy seed or fertiliser, to pay his labour or for his own subsistence until harvest. The funds required for this last purpose, and the period for which they are needed, vary with circumstances. Milk may be paid for weekly or monthly, regularly throughout the year, and the co-operative may be paid with almost equal regularity by those to whom it sells dairy produce in its various forms. Cotton, on the other hand, may be delivered once a year over a limited period, may undergo an expensive form of processing by the co-operative, and may not be sold for many months. The degree to which the marketing society will be responsible for financing not only its own operations but also those of its members, will also vary with the degree to which other sources of capital are open to them. Where, for example, there are well-developed thrift and credit banks or, on occasions, government constituted and financed marketing boards, the marketing society may have no responsibility in this field at all.

147. The methods of financing co-operatives also vary a good deal from one country to another. The traditional Danish marketing co-operative was based on a contract entered into by all its members to deliver produce and to be jointly and severally liable for any debts which their enterprise might incur. On the security of such a contract they were able to borrow the necessary fixed and working capital from a bank, usually a local savings bank. Many American co-operatives, though as a rule formally incorporated with limited liability, had little or no initial capital, and relied on bank loans secured on the members' contracts to deliver and gradually repaid out of levies on the produce handled. These levies, or a proportion of retained profit, were then treated as revolving funds in which each member's contribution is entered under his name, bears interest and is repayable at the end of a fixed period, in most cases about ten years.

148. The usual basis today of co-operative finance is the share capital contributed by members with limited liability. There may be a compulsory minimum holding, which may not be the same for all members but may be related to the area of land farmed, number of livestock kept, or volume of produce which it is intended to deliver. In addition to share capital reserves are built up from regular, sometimes compulsory, allocations from profits.

149. Share capital and reserves should between them cover fixed capital investment, but where installations are costly and have to be provided before the society can operate at all, these resources are frequently insufficient, and the society has recourse to long-term loans secured on the plant. These may be from a regional or national co-operative bank, a government bank or development fund, a marketing board concerned with the commodity handled, a commercial bank or, occasionally, from the members themselves. Many societies borrow, from the same sources, their short-term capital requirements.

150. Independent co-operative banks prepared to finance co-operative marketing exist in several Western European countries. In France, India, United States, banks undertaking such work have a statutory origin, and generally, the use of government funds, though they may be to a considerable extent co-operatively controlled. Marketing boards have been important as a source of credit in a number of African countries, but it is of interest that in the west region of Nigeria funds for this purpose were transferred from the cocoa board to a newly-formed co-operative bank. The use of commercial banks to finance the movement of major crops by co-operatives is common in countries with no national agricultural co-operative bank.



### Distribution of the Proceeds of Sale

151. In general the aim is to pay the largest proportion possible of the final price of a product to the producer member, subject, of course, to the need to build up reserves. Advances made to a member before sale will usually be, and sometimes are required by law to be, substantially lower than the final amount a co-operative society expects to receive for the produce. There will, therefore, often be one or more subsequent payments to a member before his account is closed for the year. In countries with state-planned economy, where a price is laid down by the State, payment would appear to be made at a fixed price without further addition from subsequent profits, except in the form of a dividend on shares.

### Structural Pattern

152. In the interest of efficient operation, of keeping costly plant running to capacity, of the economical use of transport and of handling a sufficient volume of crop, co-operative marketing organisations usually work on a large scale. They do so either as large primary co-operatives covering a district rather than a village, or as regional and national federations in which the primary society acts as a local collecting point. The latter system allows the local committee to retain some real control over operations at the primary level, and guarantees a continued sense of participation by the members. At the same time it allows for an efficient use of packing, grading or processing plant under qualified management at the regional level, and for the adoption of a well thought-out marketing and price policy on a national scale.

153. The trend in co-operative marketing today is towards the larger organisation, either "centralised" or federal. The difficulty, especially in developing countries, is to get democratically chosen committees who can really grasp the running of an undertaking on this scale, and to attract business and technical managers who will know their job, be prepared to work conscientiously with a committee of laymen and accept, at least in the initial stages, a lower salary than they would be paid by a private firm.

### Secondary Organisations

154. There are many different patterns of the secondary organisation of marketing co-operatives. In some of the larger Asian countries (notably India) and in some countries of Eastern Europe (e.g. Poland), there is an additional link, the district society. This is sometimes the most important point in the system and the one at which the processing plant is located. In other large countries (e.g. the United States, and for some commodities, Canada) the national organisation may be omitted, and commodity marketing may be co-ordinated on a regional basis. Sometimes primary societies are large and specialised (e.g. Danish bacon factories), do all the effective handling and processing, and are only federated at a national level for advisory purposes, joint purchase of subsidiary raw materials, or in order to deal with the export market. Sometimes statutory bodies will control both the home and export marketing of produce and may also handle produce from non-co-operative sources (paragraph 541 ff.).

155. Many marketing co-operatives are closely linked with regional or national co-operative banks, with co-operative credit societies and with national co-operative federations of a policy-making character, which also include among their members co-operatives for purposes other than marketing.

### Trends in Scale of Operations

156. The general tendency in co-operative marketing appears to be towards a larger scale of operation and closer integration, mainly on commodity lines, especially in countries with fully developed economies; at the same time to a diversification of the commodities handled in societies in developing countries. Co-operatives tend to be associated with statutory marketing boards, with state purchasing, as in Eastern Europe and Asia, and with a holding of stock in connection with price support schemes, as in the United States. There is also a trend away from the simple first-hand sales of untreated produce and towards more advanced forms of conditioning and processing. With these goes a close approach to the ultimate consumer through co-operative assumption of responsibility for wholesaling and export, though few marketing societies, apart from some dairies, actually undertake retailing.

### Section 3. Agricultural Credit

#### General Distribution

157. Co-operation for the purpose of agricultural credit originated in Germany in the mid-nineteenth century under the influence of Raiffeisen. It took the form of the village credit bank drawing its resources from thrift deposits secured on the unlimited liability of members, and making short-term advances, usually without material security, strictly for productive purposes. Outside the Raiffeisen system, but still co-operative in character, were:

- (a) agricultural loan and savings banks on a larger scale and with limited liability (Schulze-Delitzsch type); and
- (b) agricultural mortgage banks.

The Raiffeisen scheme spread to most European countries, except the United Kingdom and Eire, but never played a prominent part in Norway or Denmark. In many countries it remained a movement of thrift and self-help, but in others it only became effective after it had been made the channel of state loans to agriculture. This was the case in France, Sweden and, to a lesser extent, in Venezuela, as well as in several countries of Eastern Europe. Agricultural credit in most parts of Eastern Europe is now generally provided by state loans to collective farms. However, co-operative agricultural credit does exist in Yugoslavia, Hungary, Rumania, where regional and central credit unions carry on banking services, and in Poland, where 80 per cent. of the turnover of the Agricultural Workers' Circles is handled by saving and credit co-operatives.

158. Credit co-operatives on the Raiffeisen model were introduced into Asia (India, Burma) at the beginning of the twentieth century. They formed the basis of agricultural co-operative activity and still exist, with or without limitation of liability, in large numbers and with very large membership in many Asian countries. Credit co-operatives also form the basis of agricultural co-operative development in the Middle East, apart from Israel.

159. In North America credit co-operation has taken two forms: (a) the credit union, a modification of the Raiffeisen system, more often urban, but also including agricultural societies; (b) in the United States, the production credit associations, and the banks for co-operatives, initiated and, at least in the early stages, financially supported by government. In South America, again, there are two systems: the Raiffeisen system introduced into Brazil by German and Italian immigrants, and the more recent establishment of central co-operative banks in Argentina and Uruguay, which use existing co-operatives as their branches.

160. With the exception, in particular, of Egypt, co-operative credit societies have to date played a very small role in Africa, partly due to the lack of suitable security the African farmer can offer. However, realisation that properly organised agricultural credit is a sine qua non of increased productivity is already leading some governments to channel agricultural credit through co-operative societies. In Australia and New Zealand the sources of agricultural credit are principally governmental, though there are examples in the dairy industry of New Zealand, for instance, of the co-operative marketing societies providing members with short-term credit from the societies' own resources.

161. Co-operative credit everywhere owes much to the original conceptions of Raiffeisen but in many countries the idea has undergone a number of modifications. The most important of these are:

- (a) linking of credit with marketing and/or purchase of agricultural supplies;
- (b) supplementing thrift deposits with funds from other sources, principally governmental (in some cases total substitution);
- (c) extension of medium- and long-term credit; less attention to the purpose of short-term loans;
- (d) gradual change from unlimited to limited liability and substitution of material security for character guarantee;

- (e) growth of central banks and other secondary institutions with increasingly professional management;
- (f) adjustment of credit policy to the needs of the farm in a period of rapid technical development.

These will be discussed in the paragraphs that follow.

#### Relation of Credit to Marketing

162. The assumptions underlying co-operative credit in its original form were the long productive cycle in agriculture; the monopoly of village trade by one merchant or a few acting in consort. The absence of any incentive to save or means of doing so with safety, resulted in a situation in which the peasant farmer was exploited, indebted and unable to realise the full potential of his own resources in land and labour. In Europe generally, and in certain countries of other continents (Japan, India (Punjab), Brazil (Rio Grande del Sul)), these assumptions proved correct, and a vicious circle was successfully broken by co-operative access to a comparatively small volume of loan capital and co-operative initiation of thrift. It appears in retrospect that this success depended on the presence concurrently of other circumstances, which the co-operatives took advantage of but did not create: agricultural holdings which, if properly farmed, were adequate to support a family at the standards of the day; improved agricultural techniques and the readiness of farmers to adopt them; a general rise in economic production and prosperity; sufficient economic education among farmers to ensure that the meaning and purpose of both borrowing and saving were well understood.

163. However, in many regions some, or all, of these circumstances did not exist. Holdings were hopelessly uneconomic and allowed no scope for even the simplest investment; few improved techniques were being attempted; there was no general rise in economic prosperity; the purpose of a loan and the obligations entailed were little understood. In such regions co-operative credit of itself could do little to raise the standard of farming or the standard of living of farmers.

164. In tropical Africa co-operative marketing societies found difficulty in competing with the local private traders because of the existing widespread system of pre-harvest credit. The peasant farmer pledged his crop in return for advances, sometimes in cash but usually in kind, from a local trader, who at once provided the basic necessities of life and eventually purchased the crop. Notably in West Africa, co-operative marketing societies gave pre-harvest loans to farmers, and these loans were not limited in fact to productive purposes. In Eastern Nigeria the credit societies have lent rather to the rural trader than to the individual farmer. In Northern Nigeria the loans have been channelled through integrated credit and marketing co-operatives.

165. However, in East Africa no attempt has been made to compete with the local private traders by a system of pre-harvest loans for other than strictly productive purposes. The marketing societies have relied on the exposure of such sharp practices as short weighing, inequitable prices and extortionate rates of interest, and on the remarkable development of a national pride in the co-operative movement. The need for pre-harvest loans has, however, been recognised. These loans are channelled through the primary marketing societies, usually from specialised agencies or marketing boards set up by governments, are linked with the individual hypothecation of his crop by the borrower, and are only granted for productive purposes. These loans are usually short-term, but where the nature of the crop is such that the period between planting and harvest extends to a number of years (e.g. tea) medium- and long-term loans are granted. The development of co-operative agricultural credit in these countries is greatly facilitated by the widespread move to register titles to land.

166. In Asia the need to link up agricultural credit with marketing has been widely recognised. In India one of the recommendations of the latest Rural Credit Survey was that the granting of loans to the farmer by the credit society should be dependent on the delivery of his produce to the neighbouring marketing society. This recommendation is being implemented very slowly - its implementation being limited to date to areas where marketing societies have been successful, and applied only to 5 per cent. of the total agricultural credit loans given. In

Ceylon, Burma, Philippines and Japan the trend has been for the credit society to become multi-purpose and deal in marketing, supply and credit. In Japan this trend has now become a more or less universal development. Even in Pakistan, where the Credit Inquiry Committee, 1959 recommended single-purpose societies in lieu of multi-purpose societies, the Committee did not fail to stress the importance of close links between credit, marketing and supply.

167. In general the linking of credit with marketing will increase the earnings of the farm by seeing that the profits on marketing, and possibly processing, go back to the farmer. In this way it is hoped to set going a cycle of investment, improved methods and higher productivity, leading to steadily increasing returns.

#### Place of Thrift

168. Thrift was essential to the original Raiffeisen idea, and was an aspect of the capital-building which took place throughout the European economy in the nineteenth century. It also fitted in with the peasant tendency to hoard his money, and offered a way in which savings could be more safely and profitably held than under a mattress or in a hole in the ground. Many credit co-operatives which began with substantial state aid have been able to utilise and intensify the saving habit. The French movement, for instance, covers 62 per cent. of its loans with funds raised from agricultural sources. These include both deposits and bonds sold to farmers by regional co-operative banks.

169. In Asia the Japanese co-operative movement handled 60 per cent. of all agricultural savings and has a surplus over the demands for agricultural loans, some of which is used for making loans to fishermen. Elsewhere it is co-operative policy to promote thrift and many of the credit societies organised are called "thrift and credit", "savings and credit" societies. However, figures of savings made by agriculturists are not spectacular. In India, for example, deposits other than share capital account for no more than 10 per cent. of the resources of the primary credit societies.

170. In North America the production credit associations in the United States have been concerned in taking over the initial government-subscribed shares and so bringing the associations into the full ownership and control of their members. When this has been achieved, they are in a position to borrow from outside, usually from the sale of bonds and debentures to the public as well as to their own members. The credit unions lay great stress on thrift, usually in the form of regular savings invested in shares taken up in the unions.

#### Purpose of Loans

171. In theory agricultural credit should ideally be given for productive purposes only. This is also the practice in several countries (e.g. paragraph 165). Elsewhere a good deal of latitude is allowed and loans are frequently given for the following "non-productive" purposes:

- (1) where the crop is harvested once a year to enable the farmer to maintain his family until the crop is sold (expenditure on health or education is obviously good in itself and may be an indirect long-term investment in the farm);
- (2) where village co-operatives include among their members craftsmen or persons plying small trades on their own account, to such members to enable them to carry out their crafts or trades;
- (3) for the repayment and "consolidation" of old debts, generally contracted at usurious rates;
- (4) for the payment of taxes;
- (5) for ceremonial expenditure, i.e. for the payment of expenses of costly weddings and funerals which tradition may require.

Loans for the last two purposes are in general confined to Asia. There is some controversy as to whether or not the making of such loans is wise.

172. Loans are usually divided into three categories:

- (1) short-term - for annually recurrent requirements as seeds, fertilisers; and for household, family and provident purposes;
- (2) medium-term - for the purchase of implements and livestock, the planting of tree crops;
- (3) long-term - for the purchase of land for building, irrigation and other major land improvements.

173. It is recognised as important that each type of loan should be made from appropriate resources. Long-term loans secured on mortgage are often given by specially constituted land mortgage banks (e.g. the Netherlands, India, Pakistan, the United States and the United Kingdom). They may, however, be made by regional, as distinct from primary, co-operative credit banks (as in France), and in this case there are usually fairly strict provisions as to the proportion of total resources which may be used for this purpose. Medium-term loans may be issued either by regional banks or by primary societies, provided their financial position is strong enough to allow a proportion of their resources to be tied up for a period of years.

174. The increasing mechanisation of agriculture, especially, though not exclusively, in Europe and America, the higher standards of hygiene and shelter for livestock sometimes legally required, the demand for electricity and piped water supplies with the necessary fittings and appliances, the need to modernise and transform the small farm if it is to remain economically and socially viable in a world where standards are set by an industrial society, have all greatly increased the need for medium- and long-term capital. Some existing co-operative credit systems have the accumulated resources to meet this demand. Others may be less well prepared. The same kind of demand is arising in the developing countries, where co-operative credit either does not exist, has limited resources, or is geared mainly to short-term loans. The provision of medium-term capital in some developing countries is being developed by the formation of apex organisations such as specialised agencies, marketing boards and banks. Even for such loans the marketing societies remain the primary economic units.

#### Security and Liability

175. These factors are linked. The original Raiffeisen societies were formed with unlimited (joint and several) liability, which gave a large measure of security to depositors and made it possible to lend to members on "character" and on the surety of two neighbours, rather than on material collateral. This was appropriate so long as (a) the society remained small enough for all members to be known personally to the committee; (b) the loans were short-term and relatively small, so that the risks of non-repayment for causes over which the borrower had no control, could be assessed; (c) the standard of business morality in the community was high; and (d) borrowers were prepared to have their financial affairs made relatively public.

176. All these conditions are changing as credit societies become larger or decisions are transferred to regional banks, the demand for longer term credit becomes more important, and co-operation is extended to communities of less business experience or less social cohesion. The result is a tendency for new credit co-operatives to be formed with limited liability, and for loans to be secured on material objects, the title deeds to which, or in some cases the objects themselves, are deposited with the bank. The trend is not universal and the "classic" Raiffeisen society still exists. The limited liability society with fairly high members' shareholding is, however, a widely accepted alternative.

177. Mortgage banks were traditionally limited liability undertakings lending on the security of land. In this field a difficulty has arisen in some countries which have carried through land reforms. The farmer has clear title to his land, but in some cases it may also be inalienable and therefore cannot be used as security for a loan, since it cannot be realised in case of default.

### Repayment of Loans

178. The repayment of loans is in some cases exemplary, elsewhere there is widespread default. The linking of credit with marketing and the granting of loans for productive purposes, only are means of making debt collection easier.

### Administration and Management

179. The traditional village credit bank had an executive committee and, in countries following the German pattern, also a supervisory committee which was larger and met less frequently, both elected by the general meeting of members. The secretary was a local man, either unpaid or paid little more than an honorarium. In some countries it was not always easy to find a literate man to fill this post, and not easy to check his work when appointed, since committees were themselves illiterate. This meant that societies had to accept a good deal of guidance from inspectors appointed by government co-operative departments or from supervisors on the staffs of regional banks from which the primary societies had borrowed money. This is still the position in many countries.

180. In European countries the problem of illiteracy does not arise, but the law concerning the audit of co-operative societies of all kinds is strict, and credit banks as well as other co-operatives are members of audit unions, and receive regular visits from the auditors they employ. In North America the provisions regarding audit are usually less specific (except in the case of credit unions), but credit associations using government funds are subject to a measure of financial control. Those who have paid their way to independence are assumed to be capable of conducting their own affairs.

181. The regional or national co-operative bank is managed by a committee elected by a general meeting consisting of delegates of primary societies. If government holds shares in, or otherwise contributes substantially to, the resources of the bank, there may also be government representatives. At this level, staffing has become wholly professional and consequently exercises, and is qualified to exercise, a good deal of authority in matters of policy and procedure, even if the last word remains with the elected committee. As primary societies become larger, either by natural growth, amalgamation or the assumption of multi-purpose functions, they also begin to employ professionally trained staff, some of whom may have served in regional banks. Indeed, one of the motives for the formation of multi-purpose societies is to secure a volume of business which will make possible the employment of a trained man. When this stage is reached, the democratically elected committees are counterbalanced (and may on occasion be out-weighted) by the professional link between the trained staffs of regional and local banks, auditing authorities and/or co-operative departments. The movement becomes more efficient but, unless care is taken, less spontaneous and not so close to the ordinary member.

### Sources of Finance

182. The principal sources of finance for the credit co-operatives include share capital; deposits from members and others; reserves; loans from regional or national co-operative banks, from governments, from private banks; advances from marketing boards. Loans and advances are generally channelled through national co-operative banks where they exist.

183. Government participation in co-operative agricultural credit is usually confined to countries where other financial resources available to the credit societies have proved insufficient; to countries suffering economic crises; and to those where there are comprehensive state-sponsored programmes for increased productivity. In Rumania, state credit is available to savings banks for making loans for productive purposes only. Loans for provident purposes have to be covered by the savings banks' own funds. State aid for agricultural credit is generally on the decrease in Europe and North America - even in France and the United States, where it has been strikingly successful - as the co-operative movements accumulate their own funds. In Asia state aid to agriculture is widespread and increasing. In Africa, Egypt has over 50 per cent. state-aided agricultural credit, and elsewhere the use of state finance for the purpose is on the increase as an integral part of national increased-productivity schemes.

### Secondary Organisations

184. The secondary organisations generally consist of regional and national banks with, in some larger countries, district banks. The regional organisation may sometimes be multi-purpose, but in most countries there is a regional bank occupied entirely with financial transactions, leaving supply and marketing to other regional organisations.

185. The national co-operative bank may be a wholly co-operative institution, managed and financed by the regional, and ultimately, by the primary, societies, or may be partly governmental as regards control and the source of its funds. There are also countries, such as India and Pakistan, in which the regional co-operative banks draw funds directly from a national governmental bank, a special section of which has been set up expressly for this purpose.

186. National co-operative banks tend to be specialised but this is not always the case. Some also handle urban credit, and the Co-operative Bank of Japan includes fisheries and forestry as well as agriculture. The recently-formed Co-operative Bank of Tanganyika is designed to serve all the co-operative societies of that country irrespective of their type. This non-specialisation has certain advantages. The purpose of a national co-operative bank is not only to act as a channel for outside funds, but also, and perhaps primarily, as a clearing house for the funds of the regional banks. In a fairly large country with diversified agriculture it may be possible to keep these funds profitably employed throughout the year. Where, however, the demand for capital is strongly seasonal, there may be seasons of peak demand and others in which money is lying idle. If it is money borrowed from government or a private bank it can be repaid; if it is co-operative money some use must be found for it. This may be achieved by broadening the field of investment to take in urban credit, consumer, fishery, or other types of co-operatives.

187. In addition to financing primary credit societies lending to individuals, national and regional co-operative banks often lend working capital to other co-operatives and also invest capital in them (e.g. United States Regional Bank for Co-operatives, Netherlands Dairy Bank, regional banks in France and India, national co-operative banks in the Argentine and Uruguay). The supply of working capital serves to spread the banks' business more evenly round the year, since the peak of co-operative demand for short-term capital for marketing and processing is likely to come later than the peak demand for the farmers to cover expenses of production.

### Trends in Scale of Operations

188. Co-operatively organised agricultural credit accounts in one form or another for a substantial part of short-term loans to agriculture. It has made less over-all impression in the fields of medium- and long-term credit. With the rapid development of agricultural techniques and concentration on increased production, the importance of co-operative credit organisation is tending to grow. The system is likely to spread, particularly in the developing countries.

## Section 4. Supply of Agricultural Requirements

### Items Supplied

189. In countries with fully-developed economies, co-operative organisation of the supply of agricultural requirements becomes important when technical progress in farming has reached the point, at which the farm begins to absorb considerable quantities of materials and appliances from outside. The cost and quality of these requirements thus become vital elements in the farm economy. In developing countries the supply, by co-operative action, of the basic tools of the farmer's trade renders him a service of real value, particularly in areas with poor communications. This service is often undertaken by marketing co-operatives thereby making the membership of them more attractive to the farmer. Among the more important agricultural requirements supplied are fertilisers, pesticides, feedstuffs for livestock, seeds (particularly the high yield disease resistant strains), farm machinery, vehicles, implements and tools of all kinds, fuel and lubricants, fencing and building

materials (including pre-fabricated structures), veterinary preparations, paints and stains and work clothing. In some countries domestic goods, food and household appliances are also handled.

#### Single and Multi-purpose Societies

190. The need for agricultural supply by co-operatives usually grew out of some other activity. In Central Europe the credit society, making a number of small loans to members for identical purchases of fertilisers, saw the advantage of putting through a bulk order. In the tropics the marketing society, anxious to maintain and increase the volume of produce handled, saw the wisdom of supplying pesticides which would increase yields by reducing the ravages of plant disease. In many countries in Europe, Asia and Africa, these links still exist at the primary level. Elsewhere, notably in the United Kingdom, the United States and Canada, co-operatives have, however, been founded for the specialised purpose of supplying agricultural requirements. If they have undertaken other activities, such as the marketing of members' produce, these have been introduced later and remained subsidiary. Some supply co-operatives also stock consumer goods, particularly domestic fuel and durable appliances.

191. In countries of Eastern Europe agricultural supply usually takes the form of procurement by collective farms from state factories or import boards. However, in countries such as Poland, Hungary and Yugoslavia, where there are still many farmers on an individual basis, agricultural supplies are provided to members with their own agricultural plots through general purposes village societies, derived as a rule from state factories with or without intermediate stocking by a regional co-operative. General purposes co-operatives sometimes also procure agricultural supplies on behalf of collective farms.

192. It is not possible to indicate a definite trend, but generally in several countries of Asia and Africa the multi-purpose society or at least the closest link between the supply societies and those dealing with marketing and credit is favoured (paragraph 166). In Western Europe, with some exceptions, and North America the trend seems to be towards the specialised supply society. There is also a tendency towards specialisation at the regional level, even if the primary society remains dual purpose. This may be seen in Japan. The complexity of the business handled in modern conditions and the degree of expertise necessary in buying and stocking, is indeed now so great that it can hardly be provided by the small village society. Agricultural supply co-operatives, therefore, tend either to be organisations of some size, based on the country town rather than the village, or to be strongly federated in regional co-operatives which treat their primary societies as subsidiary agencies, expecting them to maintain certain standards of efficiency and to handle only goods supplied by the regional society. This is the most frequent North American pattern, and has parallels in Europe where, however, the primary organisation may in some cases be a credit co-operative or a farmers' professional association.

#### Sources of Supply

193. Although there are single national agricultural co-operative wholesale societies, for example in Scandinavia and the Low Countries, the rule is for regional wholesales to predominate, often based in areas served by one port, each large enough to buy to advantage in the national or international market and to undertake manufacturing processes such as the production of mixed seeds and fertilisers. Sometimes such regional wholesales have in turn formed a national wholesale. In some cases, as with the two Inter-Regional Wholesales in the United States of America, supplies are confined to a limited number of lines of relatively high priced goods.

194. Few agricultural supply co-operatives or their federations own the sources of their raw materials or the factories producing the machinery and appliances which they sell. There are, however, exceptions. United States and Canadian farmers' co-operatives own oil wells, pipelines and refineries, and have taken the lead in forming the International Co-operative Petroleum Association, which exports to co-operatives in Europe and elsewhere. Certain items of machinery are made in co-operative factories (e.g. United States, Denmark, Sweden). Fertiliser manufacture is fairly widespread (U.S.A., U.K., Italy, Netherlands).



195. Animal feeding stuffs derive from farm products. There would seem, therefore, to be an obvious opportunity for successful inter-co-operative relations. On the international level such relations are, however, limited to inter-trading between agricultural co-operatives of different countries either exporting or importing grain. Some international joint buying takes place through, for example, the International Agricultural Co-operative Society (headquarters in Rotterdam) and some co-operative fertiliser factories export to co-operatives of other countries. The existence of tariffs, quotas and exchange control remains an obstacle to a more extensive development of such international inter-co-operative trading.

196. On the national level there is scope for collaboration between co-operatives of different types. In the U.K. very substantial trade passes between the Co-operative Wholesale Society and the agricultural supply co-operatives. The Co-operative Wholesale Society has its own factories producing compound feeding and has invested substantially in a farmer-owned fertiliser factory. This kind of collaboration is somewhat rare. There are, however, instances, as in Scandinavia, where the manufacture of fish meal by fishery co-operatives has led to factories producing animal feeding stuffs, being jointly owned by the fishery and the agricultural supply societies.

#### Finance of Agricultural Supply Co-operatives

197. The need for capital in a supply co-operative society will increase with the widening of the range of goods for sale. Slow moving goods like machinery, and others subject to sharp seasonal peaks, such as fertilisers, will tend to tie up capital. Further demands on capital will be necessary for the installation of processing plants, and when there is no parallel system of credit co-operative to permit the enforcement on members of cash payments.

198. Most supply co-operatives try to cover their fixed installations with share capital and reserves, but many have to borrow from co-operative or other banks for new plant and buildings. Some use revolving funds for this purpose. Nearly all borrow seasonal capital from banks in order to cover the stocking of materials in advance of seasonal demand and (in some cases) to cover members' delay in payment for their purchases. In some countries such funds are supplied from governmental or semi-governmental sources.

199. Trading surplus, after provision for capital development, is usually distributed in bonus on business done. In several countries with state-planned economies, some of the surplus is used for general social purposes, while the balance is distributed as a variable interest on share capital.

#### Administration and Management

200. The administration and management of fully-developed supply co-operatives require the highest professional standards of efficiency, not only in accountancy and record keeping, but also in the art of buying on what may be a world market. Likewise, considerable technical and scientific knowledge will be required by engineering and laboratory staff. A specialised knowledge of mechanics and business planning will be needed in the running of mobile repair crews and a society's own transport services and in the provision of such technical services as crop drying, erection of farm buildings, the laying-on of water supplies and electricity, and mechanised cultivation on contract.

201. Such societies require highly-trained staffs. Specific skills and ranges of knowledge may be acquired in technical schools and universities, but in several countries there are co-operative staff training courses especially designed for the senior employees of supply societies. These may be residential, in a co-operative college set up for the purpose (e.g. Finland, Sweden); by means of correspondence courses and short seminars (e.g. France, the United Kingdom); or in conjunction with the agricultural departments of universities (United States). In some countries federations retain control over and standardise the quality of primary society management, by entering into management contracts with the primary society's committee, by which the federation undertakes to supply a suitable manager.

202. Where agricultural supply co-operatives are on a large scale, or, as in the case of federations, effective power is at the secondary rather than the primary level, there is apt to be a special problem of membership relations. If the organisation is to retain its co-operative character, something must be done to induce a sense of participation in the ordinary member. This may be achieved through the election of Board members on an area or functional basis (e.g. arable farmers, dairy farmers, market gardeners); by the setting-up of local advisory committees; through co-operative visits, tours, lectures and demonstrations; through the publication of news letters and magazines; or by the use of travelling salesmen, technical advisers or more federal area representatives.

### Secondary Organisations

203. The co-operative supply federations, on a regional, national and occasionally international scale, are very flexible in the character of their operations. Some are general trading organisations. Others are highly specialised plants manufacturing a single commodity such as fertilisers. They are sometimes linked with other branches of the co-operative movement or with an international buying agency.

### Trends in Scale and Scope of Operations

204. Co-operative supply of agricultural requirements increases with the growing technical complexity of agriculture itself. For this reason it is most advanced in Europe and North America where agricultural engineering, chemistry and biology are most developed and high production only made possible by their intelligent application. With the gradual improvement of agricultural techniques and research in the developing countries, the need for advanced forms of co-operative agricultural supply is being increasingly felt. Supply is still largely handled by the marketing societies, but may be expected to develop in forms already worked out in the developed countries, perhaps on lines evolved from the special conditions of tropical farming.

## Section 5. Agricultural Co-operative Insurance

### Area Covered

205. Co-operative insurance is carried on in most countries of Western Europe and North America, and to a more limited extent in those countries of other continents in which economic development is similar, e.g. the Union of South Africa, Argentina, Israel and Japan. In most other regions, agricultural co-operative insurance either does not exist or is in a wholly experimental stage.

### Risks Covered

206. The risks dealt with by agricultural co-operative insurance fall into two groups. Firstly, life insurance and insurance against general property risks such as fire, burglary, automobile damage, personal accidents and third party responsibilities, are needed by farmers as well as by other members of economically advanced communities. There is no compelling reason why they should be handled by an exclusively agricultural organisation, though many of the hazards (such as fire) may have to be rather differently evaluated in an agricultural context. Secondly, there are certain specifically agricultural risks, especially (a) death of livestock by accident or disease; and (b) loss of crops through storm (principally hail) or through pests and diseases.

207. A rather specialised class of insurance co-operative is that formed to carry the risks of other co-operatives. Besides the usual property risks, these include insurance for produce in store or transit, fidelity guarantees and, on occasions, national pension funds for employees.

### Systems of Organisation

208. These vary a good deal and often depart somewhat from the accepted co-operative pattern. In some countries insurance societies cannot be registered as co-operatives and must seek incorporation as "mutuals" or as companies, although, even in the latter case, their character may be substantially or wholly co-operative. The broad alternatives are:

- (1) a network of village "mutuals" usually insuring a single risk - fire, livestock, hail - and sometimes combining to form regional and national reinsurance societies;
- (2) a national insurance society usually formed as a wholly owned subsidiary by one or more existing national co-operative organisations or (more rarely) by a professional body such as a National Farmers' Union.

209. There is often more than one national co-operative organisation carrying on insurance in the same country, either because each class of risk is handled separately or because both the agricultural and consumers' movements have insurance organisations which cover the same risks.

210. A few examples may make the position clearer. In Canada "farm mutuals" insuring against the ever-present risk of fire, were among the first and most successful co-operatives in the country, and most of the co-operative insurance in Canada today had its origin in agriculture, although it now serves both rural and urban needs. Cover is given for fire, automobile, accident and life insurance, pension and annuity schemes. Some co-operatives are mutuals, with direct control by policy-holders, others are companies owned by other co-operatives, and this is now generally the position when a new insurance co-operative is established. The only purely agricultural insurance co-operatives are those covering hail and fire insurance for grain in store.

211. In the United States fire and windstorm insurance is provided by some 1,650 farmers' mutual fire insurance companies, many of them relatively small and operating in a restricted area. Automobile and general farm liability is covered by some 25 companies sponsored either by farmers' co-operatives or by general farm organisations. These are on a larger scale, covering one or more states, and between them providing at least half the total fire, windstorm and automobile insurance carried by American farmers.

212. In some countries of Europe (sometimes because the law insists on the provision) single institutions do not undertake a variety of risks. In Denmark for example there are five national co-operative insurance societies specialising by types of risk. In France a network of thousands of small local mutuals is united in 65 regional insurance organisations and in four national bodies handling respectively fire, livestock, hail and accidents, the last also dealing with social insurance and family allowances. These structures differ markedly from the unitary institutions found for example in the United Kingdom and West Germany which have created their own network of local and district offices and deal with a wide variety of risks. In these varying forms agricultural co-operative insurance is widespread throughout Western Europe.

213. In countries where there are only national co-operative insurance institutions, it is usual for other types of co-operative to act as their local agents. Some indeed provide automatic cover for their members by deducting premiums from returns, for example, on deliveries of milk.

214. Compulsory agricultural insurance is unusual in Europe except in the case of social insurance of rural workers, which is co-operatively handled in France. In Japan, however, there is a complete system of compulsory crop and cattle insurance carried on through village mutuals grouped in 46 prefectural associations and reinsured through a special account held by the Ministry of Agriculture and Forestry. Voluntary insurance of other types of livestock can be effected through the same organisations, and there are separate organisations covering fire, life, renewal of buildings insurances on a voluntary basis. Nothing of the kind has been attempted in other Asian countries, although in India certain provisions have been made for increased agricultural credits backed by state funds in periods of agricultural disaster.

#### Reinsurance and Finance

215. In addition to the normal acquisition of share capital and reserves, agricultural insurance co-operatives rely for finance on the conventional method of charging premiums related to the value to be insured. Compensation is generally fixed at well below the total replacement value (example, Japan: compensation does not cover more than 50 per cent. of an average crop).

216. Where substantial initial capital has been required many of the national insurance co-operatives relied on subscriptions from sponsoring co-operatives. In the United States of America those societies insuring automobile risks were obliged by law to hold a large capital fund. This was raised by selling stock or membership certificates to farmers.

217. The insurance of agricultural risks offers special problems. Disasters when they come are apt to be widespread and may cause exceptional losses in a single year. On the other hand, certain risks such as storm and hail may vary from farm to farm rather than with the year. Those farmers out of the normal path of storms have been disinclined to insure. Compulsory schemes, like those in Japan and some parts of Switzerland, have been drawn up with this difficulty in view.

218. Normally all co-operative insurance societies reinsure a part of their risks either with their own regional or national organisation, with a national insurance society belonging to some other section of co-operation, or with a co-operative insurance organisation in another country. Many reinsure (at least a part of the risk) with private insurance companies and some can look for help to a government fund. Many spread their reinsurance business among several organisations. In addition, some of the mutuals carry forms of catastrophe reinsurance.

219. In the interest of providing insurance on terms which are not an undue burden on members, many societies, in addition to providing for reinsurance and adequate capitalisation, aim at reducing risks by educating the policy holder. Fire mutuals give instruction in fire prevention and provide basic fire-fighting equipment. Livestock mutuals provide veterinary services.

220. Funds surplus to current requirements are in the case of local societies generally transferred to a regional or national organisation. Despite the fairly high measure of liquidity necessary to meet normal claims, as well as exceptional disasters, the older and larger organisations usually have a surplus for long-term investment. These surplus funds may be lent direct to other types of co-operatives, such as the agricultural marketing and supply societies, or may be deposited with the national co-operative bank which will, in turn, use them to finance co-operative development.

#### Administration

221. The early type of local mutual called for little effort apart from the accurate and honest part-time secretary. Village committees were capable of conducting the simple business. There are, no doubt, mutuals which are still run in this way. However, both they, and the supply and marketing co-operatives, that act as agents, usually operate within the framework of much more carefully planned and firmly established rules regarding premiums, records of property insured and notification of casualties, under the supervision of a regional or national organisation. All the larger organisations have today a fully professional management and trained staffs. Their boards may be elected by the village mutuals, which constitute their affiliated membership, or they may simply be appointed by the national co-operative organisations which hold all the shares. In the case of a national society with a large direct membership of individual farmers, the board may be elected by postal ballot.

#### Characteristics

222. As may be seen from the preceding paragraphs, the organisation and structure of co-operative agricultural insurance does not necessarily follow the normal co-operative pattern. The primary level - the voluntary coming together and mutual assumption of responsibilities which is usually regarded as the essence of co-operation - may be missing altogether. At secondary level co-operative insurance societies may be formed as subsidiaries of national unions and federations and, thus, the direct influence of the policy holder may be non-existent. Nevertheless co-operatively organised agricultural insurance has become an indispensable element in the structure of agricultural co-operation in the developed countries. It is not only a way of securing for the small insurer benefits of mutual aid at favourable rates, but may also be a valuable means of accumulating capital for the co-operative movement.

## Section 6. Agricultural Services

223. The term "Agricultural Services" may be taken to cover a variety of activities conducive to agricultural production, for which equipment and knowledge may be available on a large farm but which a smaller farm cannot economically supply for itself. These services may be of social as well as economic value. They may be provided by a co-operative specially formed for the purpose or as an ancillary activity by an existing co-operative. In the latter instance the services may be subsidised from the general profits of the society. Some 40 different types of co-operative service have been recorded throughout the world, of which the most important are as follows:

### Electrification

224. This has been carried through on a large scale through co-operatives in a number of countries, especially in parts of Europe and in the United States. In some countries (including France and the U.S.A.) it has been assisted by government credits, but in many countries the system has been self-supporting from the outset. The usual method is to organise a society covering a comparatively small area, usually a village and any outlying farms, of which the members are the prospective users of current. Capital is accumulated to meet the cost of transformers, local transmission lines and the wiring of houses and farm buildings, and current is bought from a state, municipal or private power station. In a few instances the co-operative owns a power station. Current is used primarily for domestic light and power, as well as for street lighting, but it is available for use on the farm, for power-driven appliances, and for local industries, many of which may be based on agriculture or forestry and are often co-operatively managed. A development of co-operative electrification is the supply - sometimes the manufacture - of electrical fittings and appliances by a federation of electricity co-operatives.

### Livestock Breeding and Related Services

225. Livestock breeding has been carried on co-operatively for many years and in a wide range of countries. In its earliest form, a superior breeding animal was purchased by the co-operative and held at the disposal of members by one of their number, who received half the service fee in payment. In recent years cattle breeding co-operatives have been operated on a larger scale, with artificial insemination and a fully qualified veterinary staff (Europe, North America and elsewhere).

226. One aspect of livestock breeding is the recording of progeny, which in some countries is carried on by herdbook societies but in others is linked with co-operative breeding societies.

227. Herd testing and milk recording are carried on co-operatively either by dairies or by special societies in a number of countries (for example North Europe and New Zealand).

228. A special development of poultry breeding is the co-operative chick hatchery. This is usually owned by a group of farmers specialising in pedigree poultry production, who supply eggs to the hatchery. Day-old chicks are then sold to others, not necessarily members of the society. Some hatcheries, however, are owned by co-operative egg-packing stations or their federations (U.K. and other European countries).

229. The provision of veterinary services may be associated with livestock insurance or even with the marketing of livestock produce, but there are also cases in which a co-operative has been formed for the sole purpose of providing veterinary services.

### Machine Using

230. This service began in Europe 60-70 years ago with the co-operative ownership of threshing machines, which moved from farm to farm and threshed for members on contract. With the introduction of costly mechanised equipment, some only in use for a few days of the year, the co-operative organisation of machine using increased especially in Europe. Organisation has taken two main

forms. A group of small farmers may combine to acquire essential pieces of equipment, usually in general use during most of the year, such as tractors and their related implements (for example, The Agricultural Workers' Circles in Poland). Alternatively a group of farmers who have already provided themselves individually with basic machinery might combine to buy a more costly and less frequently used machine such as a combine harvester. In some countries, such machinery is provided by a general purpose co-operative (U.K. and France) which may (as in Yugoslavia) enter into a contract with a farmer to cultivate his land.

231. All co-operative machine using has to solve a number of problems. Most agricultural operations are strictly seasonal, and there is inevitable competition between members for the use of the machine. This may be settled by taking members in order of application or simply at the decision of a strong committee, but the decisions may still leave grievances, and it often happens that after a time members prefer to buy their own machine and have it completely at their own disposal, even if at a higher cost. Another problem is to find the right size of group. Too large a group means that the machine spends too much time on the road and is worn out in the process.

232. At one time machines were simply lent to members for their own use. This was found to be very unsatisfactory as servicing left much to be desired, breakages were not reported and the machine was not passed on promptly to the next user. Machinery co-operatives, apart from the smallest informal groups of three or four farmers, now all employ their own mechanics and drivers and keep proper records of time, fuel consumption and replacements. Still left unsolved is the question of major repairs, stocking of spare and repair parts and the supply of fuel. These services may be carried on by a regional federation, though here again the time required to bring machines in for repair and the wear and tear on the roads have to be taken into account, especially where road surfaces are poor.

233. Useful as machinery co-operatives have been and are in many countries, the question still arises whether the major development of the future may not be the joint use of heavy machinery coupled with the perfecting of light machinery, cheap to run and adapted to small farms, which can be sold through supply co-operatives to their members. This is already the practice in many countries and is accompanied by the stocking of spare and repair parts and the maintenance of fully equipped repair shops.

#### Pasture Improvement and Management

234. This is usually undertaken in countries where there is communal pasture, in mountains or forests, which has been neglected or over-grazed (Finland and Norway). The co-operative fences the land or otherwise restricts grazing, and may initiate improvements perhaps by irrigation or the application of fertiliser. The appointment of a communal herdsman to take the flocks of a village to distant pasture is much older than formal co-operation, but has sometimes been continued by a pasture co-operative. The formation of so-called "fodder banks" in countries liable to severe drought (North Africa), is usually linked with pasture management. A fodder crop, such as lucerne, is grown during a good season, and can be stored for a long period for use in a season of drought.

#### Technical Guidance and Research

235. This forms an important part of agricultural co-operation in Japan and is present in a good many other countries. The aim is to secure a more rational management of the farm, the introduction of better livestock and seeds and the use of fertilisers, pesticides and veterinary preparations as required. Sometimes the co-operative management of either experimental or demonstration plots may be included, or, occasionally, a separate co-operative may be formed for this purpose.

#### Water Supply and Control

236. This is a widespread co-operative service and covers a number of different functions. Co-operatives, or at least mutual aid associations, for drainage, through the upkeep of dykes, canals and drains, and the operation of wind-driven pumps, have existed in the Netherlands since the Middle Ages. Those for irrigation in the Middle East and elsewhere may be older still. It is

characteristic of all mutual arrangements for the control of water, that membership goes with the ownership or occupancy of the land, is compulsory and involves a strict fulfilment of obligations, with penalties for default.

237. Co-operation for drainage still means the construction and maintenance of dykes, drains and pumps, the latter now generally power-driven. Irrigation may mean construction of dams, but water may also be obtained from a large-scale, probably governmental, reservoir, or it may be drawn off or pumped from a perennial river or an artesian well sunk for the purpose. Irrigation co-operatives are well established in the dry areas of the western United States, India and the Sudan.

238. Another form of water service is the supply of pure water to villages and farms. This may be undertaken as one of the functions of a co-operative health society, but it may be the work of an independent co-operative. Water supplies for farms or to dry pastures may be laid on by general-purposes societies.

#### Other Services

239. Other types of co-operatively rendered agricultural services, with examples, are:

Accountancy	North/South America
Cattle Barns	Norway, Sweden, Poland
Container Manufacture	U.K., Eastern Europe
Cold Storage	North America, Scandinavia
Crop Drying	North Europe
Crop Protection	U.S.A. (air spraying)
	U.K. (rabbit clearance)
	Asia (organised watch against wild animals)
Establishment of Plantations	Africa
Frost Protection	U.S.A. (for orchard fruit)
Fruit Picking	North America, North Africa
Jungle Clearance	Ceylon
Land Reclamation	India, Pakistan
Lime Spreading	Europe
Milling	Asia
Peat Litter Production	Finland
Rain Making	Canada
Rice Planting and Harvesting	Italy
Seed Growing	Europe
Sheep Shearing	U.S.A., South Africa
Snow Clearance	Canada, Finland
Telephone Installation	Canada, Finland
Transport	Sweden
Workers' Camps and Recruitment of Labour	U.S.A., South Africa

## Section 7. Joint Use of Land with the Pooling of Resources and Services

### Definition

240. The forms of agricultural co-operation discussed so far have been limited to those where farmers, carrying on individual farming enterprises, have joined together to market their produce, borrow money, supply themselves with equipment and raw materials or provide themselves with specific services. In a number of countries, methods, which are in a greater or lesser degree co-operative, have been applied to the actual management of the farms. These methods may have been introduced as an instrument of state policy for a new social, political or economic way of life; as a part of state policy for land reform, settlement or reclamation; or as spontaneous groupings, inspired by other agencies than the State, to meet specific problems. The co-operative management of the farm will vary from the total communal ownership of land, and control of labour harvest and services, to a joint management for specific purposes only (for example irrigation, crop rotation systems) with differing degrees of the pooling of resources and other services.

241. The pioneer countries in co-operative farming appear to have been the U.S.A., where some long-lived communal settlements were established by religious communities in the nineteenth century, and Israel, where many of the early Jewish settlers established themselves not on individual farms but in communities now known as Kibbutzim.

### Joint Ownership of Land

242. The Kibbutzim of Israel probably represent the most complete example of collective farming based on the joint ownership of the land. They are collective societies in which property is communally owned and all production and social services collectively organised. The society is egalitarian, based on the creed "from each according to his ability, to each according to his need" and democratic, all decisions being based on the will of the majority. Membership is voluntary and open to all. No payment of wages or cash distribution is made to members who are entirely supported by the community. Another type of collective farming organisation in Israel, the Moshav Shitufi, combines the joint ownership of land and the communal activities of farming and labour, with the safeguarding of the principle of the farmer's private life, by the individual ownership of a permanent home, furniture and personal belongings, and the provision of a monthly allowance, in cash, to meet the family's private needs. All the Kibbutzim and many other farming co-operatives in Israel are members, directly or indirectly, of the Histadrut, the National Federation of Jewish Labour which through subsidiary trading organisations supplies them with all their agricultural and household requirements, markets their produce, supplies loan capital, and undertakes audit and supervision.

243. In China the system of land use has passed rapidly through a number of distinct phases - land reform, mutual aid teams, land pooling, full collectivisation. In 1958 the Chinese Government decided on the "great leap forward", by which the whole agricultural system was apparently reorganised in the space of a few months into large-scale communes, embracing not only agricultural, industrial and social functions, but all aspects of local government, including military service. It was planned, and certainly in many places actually arranged, that workers should give up their homes, sleep in communal dormitories and eat in canteens. Creches and kindergartens were established for children, and women thus freed for full-time work in agriculture. Work was to be organised on military lines, in companies, platoons and squads, not in family groups. It was proposed that members should not share the income of the commune but should receive a fixed wage, calculated partly in food and other consumer goods, including the assessed value of communal services, partly in cash. A department of the commune was set up to handle supply and marketing including deliveries to the State, and another to handle finance and act as a branch of the People's Bank.

244. The first few years of the communes do not appear to have had the desired effect of increased productivity. The unsatisfactory level of agricultural production has, however, largely been attributed to national disasters, such as flood and drought. Nevertheless, the original conception of the commune system has now been modified to allow for a return of the material incentive by



the payment of wages in accordance with a worker's output, and for a restoration of family life by permitting private holdings, limited personal belongings and individual cultivation.

245. The Italian so-called "undivided" co-operative farms are cultivated jointly, but are in some cases owned by federations, including co-operatives of other types, and worked by co-operative labour gangs which also contract for work on private estates. They are all voluntary and independent of the State.

246. In India there are farms which have been farmed on a joint ownership basis of the land. These farms remain very much experimental and have as members refugees from Pakistan or landless labourers who were offered government land either on condition that they farmed it jointly or with fairly strong inducement to do so. The refugee settlements, which were usually composed of experienced farmers have generally done well, though some have reverted to individual ownership of land rather than having all the land owned by the members in their corporate capacity. In Asia, another interesting experiment in the joint cultivation and ownership of land, is in Malaya where the peasants are sometimes cultivating jointly former rubber estates, rather than fragmenting these estates by individual cultivation. Similarly, the joint cultivation and ownership of land in a spirit of self-help is a spreading practice in the increased productivity schemes of many of the developing countries of Africa.

247. As a matter of state policy there are a large number of state farms in the U.S.S.R. and most of the Eastern European countries and these may be increasing in number especially in the so-called "virgin soil" areas of Soviet Asia. Otherwise, generally, the major part of cultivation is organised on a collective farming basis. The system developed first from the expropriation of the estates of landlords and the larger peasant proprietors. Former tenants and labourers were usually allotted shares in this land, but after a period, which varied from one country to another, they and the remaining smaller peasant proprietors were asked to surrender their land to a collective, which generally included all the inhabitants of a village, sometimes of more than one village. The land was thereafter managed as one large farm. However the members retained their own family life and a small plot (up to one hectare but generally smaller) and some animals for their own use.

248. A collective, like a co-operative, includes the machinery of democratic control, but appointments to the supervisory council, and it would also seem to managerial and technical posts, require state sanction. Chairmen may be appointed from outside the membership. Production is also carried out as part of a plan drawn up nationally and broken down by regions, districts and individual collectives. Until recently, production was further controlled by the government-run Machine Tractor Stations, which owned all the mechanical equipment necessary for running the farms, and worked on contract for the collectives. The stations also had experts attached who were in a position to give authoritative advice.

249. The actual work of the farm is organised on the basis of labour "brigades", which remain constant in membership through a full crop cycle, or, when in charge of livestock, for a minimum of three years. The brigade is subdivided into "teams" ("links"). Payment is made to the brigade leader according to the number of "labour days" earned by his brigade to be distributed to the members in proportion to the work done. Good work may be rewarded with a bonus and bad work punished by fines, deductions and a repetition of the work without payment, suspension or expulsion. Work on the collective does not as a rule occupy more than 150-200 days in the year. Some of the remaining days fall in winter, when no field work may be possible, and some are probably spent on the members' private plots. Members retain their own houses and do not lead a communal life, although services such as clubs, creches and dispensaries may be provided.

250. Collectives start with land, livestock and implements surrendered by the members, and in the early stages machinery and power are generally supplied by the Machine Tractor Stations. Initial capital is therefore not needed in quantity and resources can be built up over the years. The system adopted in, for example, the U.S.S.R., has undergone a good deal of modification over the years. At first everything above a minimum need for the subsistence of members, seed and the running costs of the farm, was delivered to the State. Later a fixed proportion (first 35 per cent. and then 23 per cent.) of the estimated, not the actual, yield of grain was delivered to the State at a fixed low price. The

price for industrial crops was relatively higher. There were also, in most countries using the collective system, compulsory deliveries of milk and meat both from collectively and privately owned animals. These compulsory deliveries have been gradually relaxed in many countries (abolished in the U.S.S.R.) but the State remains the principal buyer often using the rural consumer co-operatives as buying agents. (Chapter 2, paragraph 62.)

251. After deliveries to the State, the general meeting of the collective decides, within permitted limits, on the allocation to be made for seed, fodder, reserves, any communal feeding and for the support of non-productive members of the village. A proportion of the crop is sold to the State, to state institutions, to the consumer co-operatives or on the market, in order to produce a cash revenue from which to cover taxes, insurance, administrative expenses, capital development and in some cases a cash wage to members. This wage only represents a small part of the allocation to members and may be paid monthly or at the end of the year. The greater part of the members' receipts is, however, paid in kind, at the end of the year, from the final residue of grain and other foodstuffs remaining after all other payments have been made.

252. The allocation to each member is primarily intended for food, but any surplus not required by the member and his family may usually be sold on the market for cash. The level of the allocation depends on the number of "labour days" which the member has worked. At first, payment to members included interest on capital and sometimes land brought into the collective, but was otherwise equal, subject to a family allowance. This was found to provide little incentive and was abandoned in favour of fixed wages for administrative staff and tractor drivers, and in the case of ordinary manual labourers standard payments varying according to the different types of work to be done.

253. In Poland and Yugoslavia there has been a reversion to the individual ownership of land. Collective farming, other than state farming, accounts for no more than 2 per cent. of the agricultural areas in these countries. However, in the U.S.S.R., Bulgaria, Czechoslovakia, Hungary, Rumania and East Germany collectivisation is said to be nearing completion. This is also the case, in Asia, in North Viet-Nam and North Korea. A recent development in the Soviet Union and elsewhere has been the transfer of machinery from the Machine Tractor Stations to the collectives against payment, and another which may not yet have gone very far has been the decision to federate collectives into some form of purchasing co-operative for the supply of agricultural requirements.

254. The Mexican land reforms, carried out gradually over much of the present century, have resulted in a revival of the traditional ejido or village commune. In the majority of villages this means that pasture, woodland and water rights belong to the village, but that arable land is divided into family plots, which pass from father to son, although no ownership is created. In some 5 per cent. of the ejidos, usually those based on the expropriation of intensively developed private estates, producing commercial crops such as cotton, the land has not been divided, but is owned and worked jointly by the members. Loans are incurred and produce marketed on a collective basis, and income distributed or used to provide collective services. Control is exercised through an elected committee, which appoints a manager and other staff, but in order to provide some support for and control over the system, the Government set up an ejidos bank, with a special agency looking after collective ejidos in the cotton-growing area. Its functions go considerably beyond those of ordinary banking. It has five divisions: production; marketing and research; organisation and supervision; technical agriculture; rural engineering. Its first task was to supply machinery, implements and work animals. Later a machinery pool was established. The marketing of cotton and wheat is undertaken. The collective ejidos have been instrumental in considerably improving the social conditions of the former workers on large estates, especially in the matter of schools, medical services and higher wages. They have been rather less successful in maintaining levels of production, and the problems of work discipline in a democratic structure have never been completely solved.

255. Finally, in this sphere of joint farming where the communal ownership of land is an integral element, there are examples of a limited group of farmers taking up land in common ownership and working as small production units. This is the case in Japan, where land development co-operative societies give many such small groups of farmers comprehensive services in market, supply and credit. There is also the limited experiment at Zuniga in Spain, where the villagers have pooled all their agricultural resources to form a single farm, in which the ownership of the land and the machinery is shared by all.

### The Pooling of Resources, Labour and Services

256. Co-operative farming can also be undertaken where the actual concept of individual ownership of land remains and where joint action is concentrated on cultivation in some or all of its aspects and on the joint use of marketing, supply, credit, machinery and other services.

257. The joint farming societies in India are extensive in areas where it is to the advantage of small-owner members, whose separate holdings are not large enough to permit of economic farming, to pool their land. Members work on the pooled land in accordance with the direction of an elected committee and the manager appointed by it. They work jointly and each member receives wages for his daily labour. The ownership of each member in his holding continues and is recognised by the payment of a dividend in proportion to the value of his land. The produce which is raised collectively is also disposed of collectively and surpluses, after the usual allocations to reserves, are paid to members in proportion to the wages earned by them. The society arranges credit, agricultural supply, machinery and other services and the introduction of agricultural improvements, for the members as a whole.

258. Other examples of joint cultivation with individual ownership include the wine-growing co-operatives in Western Germany, where the member farmers plough, manure and plant their holdings jointly. Thereafter the management is individual, although sprinkler services and the water supply may be co-operatively provided. There is, in addition, usually uniformity in the choice of varieties and in processing and marketing.

259. In other cases, where the ownership the main cultivation of the land is individual, the agricultural co-operative society may serve as one pool for all the means of agricultural production and sale. This may be a matter of state policy, as in Yugoslavia, where the Government channels the credit, technical aid, machinery and raw material through general purpose co-operatives. In Poland, the agricultural workers' circles organise co-operatively agricultural machinery pools, credit, marketing and carry out joint schemes of local land reclamation, drainage and irrigation.

260. The Indian Co-operative Tenant Farming Society appears not to be so much in vogue as an instrument of agricultural progress as those societies which include the element of joint cultivation. The Society owns land but leases individual holdings to its members. The members are expected to cultivate in accordance with a plan laid down by the Society. The usual credit, supply and marketing services are provided by the Society at the members' option.

261. In Israel, settlers to whom the communal life and discipline of the Kibbutz was not attractive, organised the Moshav Ovdim, a carefully planned village surrounded by land allocated, usually in equal plots, to farmer members. (Each Moshav includes a complement of non-agriculturists.) Tenancy is conditional on the acceptance of a general cropping plan, on the maintenance of accepted standards of cultivation, and on the use of co-operative services for marketing, agricultural and domestic supply, stockbreeding, irrigation and the use of machinery. The co-operative may also act as a local authority controlling land tenure, roads, schools and health services or there may be a parallel organisation for this purpose. The detailed work of each holding, as well as family life, remains the responsibility of the individual. Settlements on this plan have increased in numbers in recent years and have proved a particularly successful method of settling the "new immigrants" who came to Israel from the Middle East and North Africa after national independence. Most of these people had no agricultural training and no understanding of co-operation but they had not the means to establish individual holdings. They required and received much help from the members of the old Moshavei who acted as managers and instructors in the new settlements.

### Land Settlement and Reform

262. Similar systems have been adopted in countries settling large numbers of people on newly developed land, or converting farm labourers or sharecroppers on expropriated estates into joint owners. Much of the Italian land reform now in progress has been carried out on these lines, under the direction of a government agency in each region affected. All holdings are individual, and after the discharge of the initial debt, will become the absolute property of the settler.

It is a condition of taking up a holding that the settler must join, for a minimum of 20 years, a co-operative supplying agricultural requirements, marketing produce and providing mechanised services. Initially the government agency holds shares in the co-operative and exercises a large measure of control, but it is the intention that the agency shall ultimately withdraw and leave the business of the colony to be run by the co-operatives.

263. In Egypt, the land reform which followed the Revolution of 1952 was aimed at transferring fully developed estates to peasant holders without damaging their productive capacity. Estates are divided into three blocks, cultivated in rotation. Each smallholder has one-third of his land in each block. This makes possible a sound rotation and the use of heavy machinery. All settlers are required to join a co-operative society for marketing, supply, credit and other services, though use of these services is not in every case compulsory. The whole scheme is under the supervision of the Higher Committee for Agrarian Reform and is not fully self-governing, though it is intended that it shall eventually reach this state. In the meantime, it is interesting that co-operatives for the reorganisation of village land into three blocks under different crops have been voluntarily set up in a number of villages not directly affected by the land reform.

264. In the Sudan, the Gezira scheme, which has co-operative elements in its organisation, is an example of the substitution of modern extensive cultivation for primitive semi-nomadic farming, without the displacement of the tribes holding land rights in the districts. Within the scheme tenants conduct farming operations on standard farm units, with the expert assistance of a national board in such matters as finance, fertilisers, joint deep ploughing, careful irrigation and crop policy. The tenant raises food and fodder crops which are his own property. He receives a part of the divisible profits from the sale of the staple cash crop - cotton.

265. Schemes reminiscent of the Gezira prototype have been established in the former groundnut areas of Tanganyika, where the quasi-government Tanganyika Agricultural Corporation assists the tenant farmer with credit, expert direction and advice in farming policy, and the performance of mechanical operations on the farmer's holding. The degree of responsibility and area of decision-making made available to tenants is expected gradually to increase. In Nigeria, resettlement schemes have been based on the principle of each family as a separate economic and social unit, working on their own farm and using co-operatively-organised services. Resettlement is usually phased through a year's education in a farm institute, followed by two years' communal working and living in preparing the new area to be settled, and, finally, the move to the family holding within the settlement. There is centralised provision of machinery, processing, marketing and storage, and some official control over methods of husbandry and cropping plans.

266. In some countries of South America co-operative land settlement schemes are state inspired as a means towards bringing fertile land into cultivation. In Chile, for instance, the technical administration is the Bank for Colonisation which finances the projects and selects the settlers. The characteristic form is a co-operative colony, in which the member works the holding allotted to him and receives the return on his own products. The cultivation is individual but machinery, plant and administrative services are jointly used. There is state control over the whole operation as it forms part of a scheme of agricultural settlement which the State plans and finances.

267. There have been examples of settlement schemes for the landless - often ex-servicemen - in Cyprus, and Saskatchewan, Canada. In the United Kingdom the Land Settlement Association has been operating for 30 years settling smallholders on the land in organised groups. The management is largely in the hands of the estate manager and other officials but there are also tenants' associations.

#### Partial Pooling of Resources for Specific Purposes

268. None of the schemes coming under this heading are large, but they are significant because nearly all have arisen spontaneously to meet particular circumstances. The motive has nearly always been technical - the introduction of modern methods either on farms too small to carry the necessary investment, or by farmers who have not the time or knowledge to make a success of them. Co-operatives for such purposes are often formed in developed countries and in

regions of smallholdings on the margin of industrial areas, where the holding can no longer support a family at modern standards, and young and active men are often employed in industry.

269. In Germany, besides the example of joint activity in wine growing (paragraph 258), land used for tobacco cultivation is sometimes pooled for the purposes of overhead irrigation. There is joint purchase of seed and joint direction of the methods of rotation and cultivation of the crop. In some fruit farming areas there are joint plans for planting and subsequent expert pooled services for pruning, grafting, spraying and pest control.

270. In India, better farming societies have been started in some areas for the purpose of introducing improved methods of agriculture. Members agree to follow a plan of cultivation and the society offers other services as joint purchase of seed and machinery, joint ploughing and harvesting, joint watch against crop-destroying animals or the joint use of machinery.

271. In many countries agricultural holdings are not only small but, owing to the chances of inheritance, dowry, surrender for debt and other factors, are scattered in a large number of small pieces, thus impeding rational use and wasting much land, through the need to preserve access paths, or the impossibility of supplying water to isolated fragments. Often the consolidation of fragmented holdings has been carried through compulsorily, as a government measure, though the consent of villages to the detailed plan of reallocation is generally obtained. There are cases, however, notably in India and Pakistan, where large-scale consolidation has been carried through on a voluntary co-operative basis.

272. In Yugoslavia an attempt is being made to raise the standard of field crop production by a system of contracts between general purposes agricultural co-operatives and owners of small farms. The co-operative may undertake to supply seeds, fertilisers and mechanical cultivation, while the owner undertakes to carry out all subsidiary agricultural operations by approved methods. He is paid a rent for his land and guaranteed a basic yield from the crop. Anything above this minimum may be shared on an agreed system. Sometimes the land is simply leased to the co-operative for cultivation. Alternatively, a production loan may be made on an agreement to cultivate by approved methods, or certain crops are grown directly for sale by the co-operative, which supplies approved seed and fertiliser.

273. These contracts bear a considerable resemblance to the vertical integration which is taking place in the United States of America, Canada, and, to some extent, in Western Europe. This is being carried on almost entirely by private firms, usually controlling retail outlets, which require a regular supply of guaranteed uniform produce and are prepared to advance the necessary capital to farmers prepared to produce it. This has caused some concern, since it can result in the loss of the farmer's independence and freedom to vary his production and sell it in the best market. Co-operatives in these countries have been seeking ways of bringing about vertical integration on a co-operative basis and under the ultimate control of the farmer himself. This would not take the form of joint use of land by a group of farmers, but would include an element of control over the cultivation of individual holdings by a co-operative representing all the farmers in a group.

#### Trends and Objectives

274. There appear to be certain tendencies towards larger economic units in order to meet the increasing demands for advanced agricultural techniques and organisation. In the U.S.S.R. and some countries of Eastern Europe there is the trend of increasing the size of farms by amalgamation in the furtherance of the policy towards the development of "agro-towns", i.e. rural communities with urban amenities, and raising of farm incomes to industrial levels. The general purpose societies of Yugoslavia, and those of Poland that offer comprehensive technical agricultural services to the farmer have been established with a view to integrating the small farmer in the general economic structure of farm production and commodity demand. The rise of the regionally and nationally-organised service societies in the U.S.A., Canada and Europe has been due partly to the same reason and also to prevent the farmer members being no more than a passive element within a process of vertical integration, dominated by private companies.

275. In the pooling of land, labour and resources there has been a growing recognition of the importance of preserving the family life of the farmer, and of allowing him a smallholding for his own needs. The requirement of material incentive is being acknowledged in the U.S.S.R. and elsewhere by the introduction of new systems of remuneration.

276. The purposes for which different forms of co-operative farming have been instituted may be ideological or technical. The usual intention is, of course, both social change and technical progress. Co-operative farming has been used as an instrument for attaining national agricultural production objectives in countries with state-planned economies; as an integral part of increased productivity in developing countries; and as a method of ensuring common standards of farming efficiency. In many schemes of land settlement, land reform, and in the consolidation of fragmented holdings the co-operative farming methods are used with some or all of these objectives in mind. In many cases, settlers used to landlord control, or of limited education and ability to act independently, have been grouped in a co-operative set-up which, while it replaces the landlord, retains elements of central control and supervision. In the initial stages of settlement, due to the limitation of human resources and the need for extensive state aid, there is a considerable measure of outside, usually state, control.

277. Collective farming, that is the ownership and cultivation of land communally, tends to be concentrated in countries where it is of ideological significance, whereas other ways of joint farming in which land remains individual but planning and services are co-operative are being adopted, if only on an experimental scale, in a large number of countries, with widely varying political systems.

#### Section 8. National Agricultural Co-operative Organisations and Their Functions

278. The different types of agricultural co-operative (with the exception of co-operatives for the joint use of land), marketing societies, and credit banks are frequently members of federal organisations at national, regional and sometimes also at district level. These organisations may be for business purposes - reinsurance, wholesale purchase, bank clearance - or they may aim at mutual aid, advisory services and public relations. In some countries, such as France, parallel national organisations representing particular sections of the agricultural co-operative movement, have been set up, the one commercial and the other advisory and representative.

279. In addition to these sectional organisations, there are in some countries national co-operative unions which also include as affiliated members consumer and other types of co-operative societies. In many countries there are national agricultural co-operative unions which bring together co-operatives for all agricultural purposes, either by direct affiliation or through their sectional federations.

280. Agricultural co-operative unions seem most firmly established and influential in Europe and North America, in Japan, and in some overseas countries of European settlement such as Australia. In the developing countries of Asia and Africa, they are of more recent formation and are only now building up a position of influence and authority (in East Africa, at least, the national unions are not specifically agricultural but include co-operatives of other types). The reason for the time lag in the development of national unions in these countries is partly that co-operation there was originally promoted by government through a department for co-operative development, which may well have carried, and sometimes still carries, some of the functions of a co-operative union, including those of advice, audit and education. It is also true that the great distances between co-operative centres in some of these countries make it difficult and costly to carry on a democratically controlled national body, while the limited resources of the primary societies make it hard for them to pay the cost of their own central services. In addition, because of the size of such countries and their predominantly parochial tribal divisions, local agricultural unions have not always been easily persuaded to subscribe to far off and seemingly alien national unions. However, the development of a national consciousness with the attainment of political independence does much to remove such a difficulty.

281. The national agricultural union may have a commercial function, but usually its activities will be in some or all of the following fields:

Organisation of national congresses at which the general policy of the movement is discussed.

Advisory services to member societies - legal, financial and technical.

Planning new developments and helping new co-operatives in their initial stages.

Audit and supervision of member societies.

(In some countries audit is compulsory and a co-operative auditing union has semi-statutory powers. Sometimes the audit is a function of the national co-operative bank.)

Representation of the co-operative movement in its dealing with other organisations, the public and public authorities.

National representation can be important, a well-established union can speak with authority on behalf of the movement it represents and often that movement is economically powerful and enjoys the confidence of farmers in general. Considerable influence can be exercised in national affairs. The union is usually consulted by governments before new legislation is brought forward or new administrative action proposed which might affect agricultural interests. It may also be asked to suggest appointments to national bodies such as marketing boards.

Education of co-operative members, committees and staffs. (See Chapter 7.)

## Chapter 4

### Co-operation in Fisheries

282. In many countries fishing is an important national industry. The means by which it is carried on vary from the highly mechanised and capitalised trawler fleets and shore establishments of North-Western Europe, to the spear or net of the unsophisticated tropical fishermen. Perhaps the section of the industry which best lends itself to co-operative organisation is that carried on in small to medium sized vessels by men, working in crews of three to ten, using comparatively modern, if not always highly mechanised equipment, and disposing of their catch fresh or treated on an organised market.

283. Like the farmer, the fisherman must equip himself, before he can go fishing, and he generally has to do so on credit. The last 50 years have seen rapid advances in fishing techniques which have made equipment elaborate and costly. The capital needs of the fisherman have therefore increased. Fishing is also in many countries seasonal with longer or shorter waiting periods when no money is coming in. All this has made the fisherman dependent on the merchant who supplied him with his requirements, often including his boat, and who markets his catch. Not all merchants have abused their position, but the possibility of exploitation has been sufficiently real to stimulate a co-operative movement among fishermen. It was slower to develop than the corresponding movement among farmers, partly because the unsettled nature of the fishermen's occupation, their frequent absences and, in some countries, their low standard of education makes them particularly difficult to organise.

#### Statistical Survey

284. Between 1936 and 1960 there has been a considerable increase in the number and membership of fishermen's co-operatives throughout the world as illustrated by the following figures from selected continents.

Table No. 5

#### Fishermen's Co-operatives

	1936	699	67,956
	1960	1395	207,000
Europe (exc. U.S.S.R.)			
Asia	1936	203	2,213
	1960	6391	430,662
North America	1936	152	3,714
	1960	631	101,000

285. Table No. 6 illustrates for the year 1955 the importance in the national economy of fishing co-operatives in selected countries throughout the world, and gives examples of percentages of the national business carried on by such co-operatives whether in the ownership and operation of fishing vessels in the supply of fishery requirements, in the marketing and processing of fish, or in the insurance of fishing vessels, gear and personnel. This table gives some idea of the status of the movement, which may generally be said to have improved since the year to which the figures refer.



Table No. 6 Fishermen's Co-operatives in Various Countries (1955)

Country	Societies	Members	Percentage of Total Fishermen	Percentage of National Business	
Belgium	6	573	-	80 15 5	Insurance of vessels Supply of Fishery Requirements Repairs to vessels
Canada	61(a)	9,995 (a)	15(a)	6	Total value of Commercial Fishery Products Marketed
Denmark	59	2,000	16	20 85	Total catch Insurance of vessels
Finland	8	1,116	-	7	Total catch: First Hand Sales
W. Germany	33	2,000	66(b)	64 9	Inshore catch Deep sea catch (c)
Italy	460	80,425	80	60-65	Total catch
Japan	3,500	650,000	-	62 15	Coastal and Offshore catch Fishermen's requirements of fuel oil (d)
Mexico	182	8,649	-	20	Total catch
New South Wales (Australia) 1957	19	1,780	90	75	Total catch (of the State of N.S.W.)
Norway	14	45,000 (e)	45	95	Total catch: First Hand Sales
Spain	156	20,000	-	75 75 15	Total catch Insurance of vessels Supply of Fishery Requirements
Sweden	87	28,500	90	15 60	Home Trade Export Trade
United Kingdom	40	1,660	16(b)	3 33 1/3	England and Wales Scotland (White Fish Catch)
United States of America	82	11,825 (f)	8(f)	15	Total commercial fishery products marketed
Yugoslavia	100	5,000	30-50	38	Total catch (Adriatic only)

(a) Quebec: 28: 3005: 47%.

(b) Inshore fishermen only.

(c) By trawler fleet operated by German Co-operative Wholesale Society (consumer movement).

(d) Applies to activities of National Federation of Fisheries Co-operatives, only.

(e) Fishermen's Union, only.

(f) PACIFIC: 6,000: 23% of total fishermen  
ALASKA: 3,000: 21% of total fishermen

### Ownership and Operation of Fishing Vessels

284. Traditionally, a fishing boat is owned jointly, though not necessarily on a basis of complete equality, by her crew, among whom the catch is divided on a previously agreed principle. Such traditional arrangements are not transformed as often as might be expected into formal, registered co-operatives, though it has occasionally taken place when, as in Japan, the group has borrowed from a co-operative bank or a government to purchase the vessel. They may then accept joint membership and joint liability, usually reinforced by insurance. There are also instances, for example in Iceland, where a co-operative has been formed to buy or build a relatively large modern fishing vessel, in which shares are held not only by the crew, but by other members of the fishing community, by a local co-operative, or by local authorities. Another example of mixed co-operative ownership may be seen in Germany, where the consumer's co-operative movement has formed a co-operative for the ownership and operation of a modern deep sea fishing fleet, in which shares are also held by the provincial and city authorities, and to a small extent by trade unions (see table 6).

285. In Eastern Europe in countries of state-planned economies, such as the U.S.S.R., Yugoslavia and Poland, where the fishing industry is of national importance, fishermen are generally organised in workers' artels similar in structure to the collective farms or to co-operatively organised light industry. In U.S.S.R. boats, nets and gear are not owned by the fishermen but are in the hands of motor fishing stations. The fishermen have fishing rights over a stretch of river or in the open sea. All operations are carried out jointly and the earnings and the catch are distributed among members after the usual allocation to reserve, and social funds, usually with an additional payment to skippers and engineers. In China fishermen would appear to be organised where appropriate as fishing brigades of the People's Communes.

### Thrift and Credit

286. These are important in France, Canada and a number of Asian countries, especially Japan and India. They are organised, broadly speaking, on the Raiffeisen system of local membership and unlimited liability, though some societies, for example in France, expect members to build up share capital. Local credit societies are usually federated in regional banks, which may consist only of fishermen's societies (France, Japan), or may include credit co-operatives formed by other occupational groups (U.S.A.). These in turn may be affiliated to a national bank which may be an independent co-operative institution (Canada), a government bank with co-operative representation (France); or to provincial co-operative banks, which rely in part on loans from government banks (India, Japan). In some countries loans are made direct from a government department. Fishermen usually have difficulty in accumulating savings, and it is the experience in Japan, for example, that through a central bank the co-operative savings of farmers can be made available as loans to fishermen.

287. Loans to fishermen fall into three categories, corresponding to those in agriculture. Short-term loans are usually made for periods up to one year for the purchase of fishing gear, fuel, oil, sea clothing, food for crews and sometimes for fishermen's families in advance of the fishing season. They are usually made by a local society, mainly or wholly from its own funds, and on the security of the borrowing member's character, sometimes backed by guarantors. Medium-term loans are usually made for the purchase of engines or equipment for a term of one to three years. They may be made either by or through a local credit society and may be secured on character, usually reinforced by insurance of the article purchased. Long-term loans generally originate from government funds, often, though not invariably, handled by a national co-operative bank, though application by the fisherman may be first through his local credit society. They may be made available as part of a government programme for the modernisation of the fisheries. The usual purpose is the purchase of a fishing vessel, and the loan is secured on an insurance policy. The term may be up to 20 years. Long-term loans are also made to local co-operatives for such purposes as the building of cold stores or net factories, or the improvement of harbours.

### Supply of Fishery Requirements

288. Societies for this purpose are formed in much the same way as consumer co-operatives or co-operatives for the supply of agricultural requirements. Each society is based on a port and open to all the fishermen sailing from it.

Members subscribe shares and liability is limited. Non-perishable supplies as fishing gear, paint, sea clothing, are usually sold from a quayside store. It may be open continuously, part-time, or only when the fishing fleet is in port. Co-operatives sometimes manufacture a part of their stock-in-trade, especially nets. The most costly and less frequently purchased engines and instruments may be ordered through a co-operative store as required, or supplied direct from the manufacturers. They almost always raise the question of credit or of deferred payments. Petroleum products, especially fuel oil, are becoming of increasing importance in co-operation. They involve special installations (tanks and pumps) from which boats can be refuelled.

289. In addition, there is a range of other bulk products, either perishable or requiring special forms of storage, of which the most important are salt, ice and bait. Salt must be purchased in readiness for the fishing season. Ice can usually be made locally by the co-operative, with a relatively low cost installation. Bait often consists of small fish, which appear before the main fishing season. They may be caught by members and sold to the co-operative, which cold stores until the time comes to resell, or they may simply be stored by the member on payment of a fee for cold storage space.

290. Containers of various kinds, boxes, barrels, tins, are required by the fishing industry, though more often by marketing and processing co-operatives than by fishermen themselves. They may in some cases be manufactured by a supply co-operative.

291. Finally, the fishermen will require food for their families as well as for use on voyages. There are fishermen's consumer co-operatives in the U.S.S.R., in Canada and other countries. On the Arctic coast of Russia where there is a primitive population of fishermen and trappers, accustomed to live by barter, the Soviet authorities organised societies to receive supplies and outfit on loan, to be paid back in fish and fur. The intention was to transfer gradually to a cash basis. In Norway there are general purpose fishermen's societies which supply foodstuffs and fishery requirements, and also handle fish. These are jointly sponsored by the consumers' co-operative movement and the fishermen's organisations.

292. Fishery supply co-operatives exist in most countries where the industry is co-operatively organised, but they usually play a rather minor role, or their functions may be carried out by credit societies (Japan). In some cases they have been successfully established by the owners of large sea-going vessels (Belgium, Portugal) and fulfil a function comparable to that of the co-operatives of small industrialists. Co-operative wholesale societies engaged in bulk purchasing and manufacture, which are an essential feature of agricultural and consumers' supply, play little part in fisheries co-operation, although organisations for this purpose have been set up, at least in Norway and Italy. Some link between societies scattered in small ports is needed, especially in countries where co-operatives are bound legally, or by rule and custom, to deal with members only. Many fishermen move round the coast as the fish move, or they may be driven by storms to shelter in ports not their own. An opportunity to refuel and refit with co-operatives of which they are not members, would be valuable. Reciprocal arrangements for this purpose have been made in some countries (e.g. France).

#### Marketing, Preserving and Processing of Fish

293. In most countries this is the most important function carried on by fishermen's co-operatives. It may be a wholly voluntary development, or it may have been favoured by some measure of statutory control, as in Norway, Sweden, Japan, Hong Kong and Australia. The methods vary from country to country and more than one may be in use concurrently. Some co-operatives handling fresh fish (e.g. Scotland, Italy) auction the catch to wholesalers or retailers immediately on landing. A few retail themselves, either from shops or travelling vans. Some dispatch immediately to a wholesale market, which may be under government or municipal control (Hong Kong, New South Wales), controlled by a regional federation of fishermen's co-operatives (Japan), or freely open to co-operative and private competition, with the fish handled by private commission salesmen. In Denmark there is a national co-operative federation engaged in the wholesaling and processing of fish. Most co-operatives handling fresh fish pack for the market and arrange transport. Some own cold stores or hire cold storage space from private firms. Special arrangements have to be made in the marketing of some types of fish as, for example, lobsters, which call for special storage tanks and often air transport.

294. In some countries (Norway, Sweden) fishermen's co-operatives have statutory powers, comparable with those of an agricultural marketing board, to control the first-hand sale of fish. In such cases, a co-operative organisation, responsible either for the entire catch of a particular type of fish or for all fish caught on a particular stretch of coast, will, after consultation with other interests, fix an annual or seasonal minimum price. It will then either leave its members to sell at or above this price directly to fish buyers, or itself direct supplies into different channels, which may include, besides private buyers, co-operative wholesaling, processing or exporting organisations. These last may be subsidiaries of the statutory body or they may be independent local or regional co-operatives. In Finland (1960) suggestions were being made for similar legislation to control the first-hand sale of Baltic herrings to enable the co-operative societies in that country to have some chance of influencing the price of fish instead of having to follow the prices fixed by wholesale fish merchants.

295. In most countries much more fish is caught than can be consumed fresh. Methods of processing vary with the type of fish and dietary habits of the country. In Europe the production of fish meal and oil is important wherever there is a large herring catch, all the more if there is an intensive livestock industry to absorb the product. Salting and drying of cod fish is a traditional process in countries like Newfoundland, Iceland and Norway, which produce for the Southern European markets. Iceland has developed the quick freezing of fish on a large scale and a substantial part (about 20 per cent.) of this industry is in co-operative hands. German fishermen's co-operatives play an important part in the processing of crabs for human and animal consumption. Co-operative shrimp potting is carried on in the United Kingdom. The most modern methods of preserving, by quick freezing, freeze-drying and the use of antibiotics are only employed co-operatively to a limited extent. In the U.S.S.R. it is the State that runs factories for such purposes as curing, preserving and the extraction of caviare. The greater part of the catch is, however, sold fresh in Soviet towns.

296. In the United States and Canada, co-operatives undertake fish canning, reducing, salting and drying, and quick freezing, as well as the extraction of fish liver oil. They also arrange collective contracts for the delivery of catch to private factories. In Asia, though some co-operatives own cold stores, fish preservation and processing is still mainly in private hands. On the marketing side in Japan, as can be seen from table 6, the movement is considerable, and well organised (it had developed to 5,000 societies and 1,000,000 members by 1960). Elsewhere, other than in Hong Kong, fishery co-operatives, though relatively numerous in India, Ceylon, Burma and Malaya, have advanced little beyond the primary stage, though in Burma there has been established a central marketing society, and governments, particularly in India and Malaya are fostering the growth of such marketing and processing societies.

297. The method employed in Hong Kong for the development of fishery co-operatives is of interest, being of possible application elsewhere. It resembles the "from the top" methods of fostering consumer co-operation used by some developing countries of Africa and elsewhere (Chapter 2, paragraph 71). A non-government training organisation, the Fish Marketing Organisation, was set up to regulate the marketing of most kinds of fish. The Organisation established wholesale markets, fish collecting depots and private transport, and also salting and drying facilities. It was the intention of the government that this Organisation, though not co-operative in origin, should eventually be turned into a co-operative enterprise run by the fishermen themselves. There has been a close association between the Marketing Organisation and the co-operative movement, and by 1956, 87 co-operative societies of about 5,800 members had been formed.

298. In tropical Africa there is concern by several governments to develop the fish marketing and processing co-operative, and in several cases the technical assistance of specialised agencies of the U.N. have been called upon to consider the problems. It may be that some organisation on the lines of the fish marketing methods of Hong Kong may be established, though a more decentralised system may be found to be more appropriate in countries where fishermen are considerably more dispersed. In general, though there are modern methods of fish preservation as, for example, the quick freezing plants in the Lake George/Edward region of Uganda (not co-operative concerns), the traditional methods of preserving fish, usually by smoking, are the rule, as the normal marketing outlet is the market in the local or nearby towns. There is in this part of Africa considerable scope for research and eventual co-operative action.

299. Most marketing co-operatives will pay pooled prices with or without financial adjustments after the net sale proceeds are known. The pool may cover a week, a day, or part of a day. The system is convenient and protects the individual from some of the effects of fluctuating markets. It is recognised, of course, that it does not always provide a great deal of incentive to the fishermen to select and handle their catch with care. Co-operatives on occasions may have to wait some time before payment, and current payment to members as well as the holding of stocks in cold store, is financed by overdrafts from co-operative and, in some cases, private banks.

300. There are several important fish marketing organisations owned jointly by fishermen's and consumers' co-operatives in Sweden, Norway, Germany, France and Iceland, and a fish meal factory jointly owned by fishermen's and agricultural co-operatives in Denmark. The consumers' organisation itself provides a retail outlet, but it may also export, as in Sweden and Iceland.

#### Insurance of Fishing Vessels, Gear and Personnel

301. The obvious dangers of the fishing industry called attention at an early stage to the need for some form of insurance. Large marine insurance companies were not always ready to provide cover for fishing boats, or would only do so at excessive cost. As a result, a number of mutual insurance societies were formed in the European fisheries, some as far back as the mid-nineteenth century. Many were local in origin, often confined to a single port, and consisted simply of a mutual guarantee to make good, in whole or part, the loss incurred by any member. This system had obvious risks even if, as with some of the more extended schemes, a government fund was made available to meet exceptional losses.

302. Today co-operative insurance societies, which exist in most European countries and in the United States of America, are based on premiums calculated in proportion to the capital value of the vessel insured. There may or may not be a government guarantee against exceptional loss, but nearly all insurance co-operatives reinsure all or part of their risks through a reinsurance federation of their own, or with outside co-operative or private insurance institutions.

303. Insurance not only of hulls, but of engines, instruments and gear, is provided through co-operatives in some countries, but the high cost of insuring gear, and the difficulty of controlling losses have ruled it out in many countries. In Japan, a Fishery Credit Fund Society has been formed to guarantee loans to fishing enterprises, co-operatives and their federations, so that their losses due to failure to catch fish are reinsured by government. Life insurance for fishermen and their families, insurance against occupational risks, and old age or disability pensions has also been carried through co-operatively, especially in Spain, but with the advance of national social services they become of less importance and do not appear to have been attempted outside a limited number of European countries.

#### Co-operative Management of Fishery Concessions

304. In Japan, exclusive fishing rights of a stretch of coast were traditionally held on a feudal tenure. These rights have been legally transferred to co-operatives. Membership is compulsory, and includes large and small fishermen as well as fish merchants. Such a varied membership would not appear to have the unity of interest that makes for co-operative progress. Also in Japan are a number of smaller, voluntary co-operatives, formed to exploit installations such as fish weirs, stationary nets, oyster beds or the collection of edible seaweeds. In several European countries (Greece, France, Italy) co-operatives have been formed to manage oyster and other shell-fish beds and to exploit and safeguard the use of lagoons, ponds and tanks.

#### Technical Services and Installations

305. In small fishing ports the facilities available may depend largely on the initiative of the fishermen themselves. Co-operatives may undertake, or be formed specially in order to do so, repairs and improvements to ports and harbours, breakwaters and lights, or to provide slipways and winding gear. Grants from governments may be made available to co-operatives for this purpose, or the effort may be wholly voluntary. Short-wave, two-way wireless transmitters may be installed and used to transmit weather and market reports to vessels at sea, and to receive requests for help in case of emergency. In countries where fishing is

carried out in small boats with low engine-power, as in Italy, a co-operative may acquire a larger and faster transport vessel to which catch may be transhipped for delivery to market, while the rest of the fleet continues to fish. A single vessel equipped with echo-sounders and similar devices may be used, as in France, to detect the whereabouts of shoals and guide boats to the best fishing grounds. Where fishermen are migratory, sleeping and cooking accommodation may be built on shore for those working away from home.

#### Educational and Social Services

306. Educational services fall into three groups: technical, social and economic, general. Navigational and engineering schools for young fishermen are carried on by or in connection with fishermen's co-operatives in several countries, usually with government assistance. Alternatively, the fishermen's co-operatives may, as in Japan, contribute to the maintenance of a government school for these purposes, as well as to the work of fishery research stations.

307. Co-operation among fishermen in Eastern Canada has been stimulated by the practice of study circles: groups of fishermen meeting to study co-operation in its economic and social setting. In Canada, a strong link exists between fishery co-operatives and university extension departments concerned with social studies, as well as with those concerned with scientific studies such as marine biology.

308. In some countries, where illiteracy is still common among fishermen, co-operatives have initiated night classes for adults and schools for fishermen's children.

309. Among social services, the most important are pension funds for old or disabled fishermen and provision for the widows and orphans of fishermen. In some countries (Italy, Spain), homes have been built for aged fishermen and where public health services are inadequate, they have been provided by co-operatives in the form of clinics, hospitals and dispensaries for fishermen and their families. On the lighter side, clubhouses and recreational centres may be established.

#### Federations, Regional and National Organisations

310. In most countries fisheries co-operation is much less centralised and symmetrical than other branches of co-operation. Some countries have no central organisation at all, others have several, either carrying out different functions or serving co-operatives on different coasts. Sometimes fishermen's co-operatives share a central organisation with co-operatives of other kinds.

311. Marketing or other processing federations, either regional or national, with or without statutory powers, are to be found in many countries, co-operative supply associations in very few. There are regional fishermen's co-operative banks which may share a national bank with agricultural or industrial co-operatives. Regional or national fishermen's insurance organisations also exist. National fishermen's co-operative unions for purposes of mutual consultation and advice, mutual protection, negotiation, and public relations are only found in a few countries as, for example, Canada, Italy, Japan and are in some cases of fairly recent date. Elsewhere, as in Norway, the driving force seems to come from fishermen's unions which are concerned with the general welfare of fishermen, and use co-operation as one instrument to that end.

312. Co-operation in fisheries has advanced very rapidly in the last 25 years and a good deal of this advance has been made possible by government aid, either financial or through the granting of special powers. Development is not uniform, neither geographically nor functionally. The frequent absence of committee men from their homes and their lack, as a rule, of business experience, does not make for efficient management and administration. Staff of the right calibre are not always readily available at the salaries many fishery co-operatives feel able to pay. There is often a promising tie-in between fisheries and other forms of co-operation, but at the same time insufficient central organisation solely concerned with fishery co-operative problems. Nevertheless, co-operation in fisheries is one of the most interesting growing points in the co-operative movement of today. There are still more countries to which it could be usefully extended.

## Chapter 5

### Co-operation in Forestry

#### Statistical Survey

313. Forestry co-operatives are fairly widely distributed in Europe, especially in Norway, Sweden, Finland and Greece. They are very numerous with a membership of nearly 2 million in Japan and are becoming of some importance in India and British Guiana where they take the form mainly of forest labour contract societies. The current world statistical picture, as far as it can be ascertained, is given below. There is no material for a useful comparison with any earlier period.

Table 7

<u>1960</u>	<u>No. of Societies</u>	<u>No. of Members</u>
Europe	1,218	280,000
Asia	4,876	2,846,539
North America	2	2,840
	<u>6,096</u>	<u>2,129,379</u>

These figures probably somewhat under-rate the importance of co-operation in forestry as some agricultural co-operatives undoubtedly handle members' forest products (in Canada for example in 1958, 62 associations marketed the lumber and wood of their members to a value of £1 million). There may also be specialised forestry co-operatives which are classified either with agricultural or with workers' productive societies. Co-operation in forestry falls into two distinct groups, co-operatives of forest owners, generally small owners, and co-operatives of forestry workers.

#### Co-operatives of Forest Owners

314. These exist in most European countries where forestry is of importance. Large commercial forest owners are usually equipped to exploit their timber resources without assistance, but there are in many countries a number of small farmers who also own a tract of woodland which, if properly managed, can provide them with an additional source of income and, in northern countries, with winter work when there is little to do on the farm. Many, however, have neither the knowledge nor the equipment to make the best use of their woodlands, and many depend on merchants for the necessary credits. The object of the forest owners' co-operative is to help the owners to overcome such problems.

315. In Norway, for example, two-thirds of the great coniferous forests are owned by farmers. Timber marketing co-operatives have existed for many years, but were at first dependent on timber merchants for working capital. About 30 years ago marketing was transferred from the local societies to 22 regional co-operative organisations large enough to negotiate with timber merchants on an equal footing. They in turn are members of a national Norwegian forest owners' association, which annually negotiates a general agreement on prices and terms of delivery with timber and pulp wood buyers. At the same time, a farmers' society for short-term credit was organised, one of the main objects of which was to lend at low rates of interest to forest owners. The forestry co-operatives are financed by subscriptions, and a levy on returns due to members. These are retained in the member's name, and may be withdrawn only for forest maintenance or replanting. Forestry co-operatives may market the members' timber and provide advisory services and technical assistance. There is a separately organised pulp wood factory.

316. In Austria there are a number of small forest owners' co-operatives; generally with their own sawmills and woodworking shops. They also carry on advisory and repair services. In Finland, the organisation is highly centralised,

with a single co-operative forestry union with 58,800 members and 16 branch offices. It handles unfinished timber and holds 85 per cent. of the shares in an older forestry central, which undertakes further processing. These organisations own a number of subsidiaries, including sawmills and factories making such products as cellulose and methylated spirits. In the United Kingdom forestry co-operatives undertake timber-felling, replanting and maintenance on behalf of their members. They maintain labour gangs under a trained foreman. Some have sawmills. They are prepared also to market their members' timber. In Wales in particular there has been a gradual development towards the provision of a woodlands service to cover the country, with some kind of integration, within this co-operative system, of woodlands owners who do not need a full service. Swedish forest owners are grouped in a small number of large co-operatives and in a national forest owners' association. The co-operatives own sawmills and handle sales on the home market and for export. They also carry on advisory services. In Switzerland, the organisation is in three stages: local, cantonal and national. The national organisation is advisory and representational only. There are such forest owners' societies also in Greece.

317. Outside Europe, Japan is the main country in which forestry co-operatives are important. More than half the forests of Japan are owned by individuals with little over five acres of woodland. There are 4,660 forestry co-operatives, of which about 300 are "production associations" engaged in the joint management of their members' forests. The remainder are described as "joint facility associations" and are engaged in purchasing, production and marketing. The principal supplies to members are seedlings. Matured forests are felled and marketed for domestic and industrial use. Most of this activity is carried on by local co-operatives, although there are 46 prefectural federations which market timber surplus to local requirements. Societies are financed by shares, reserves and loans through the regional federations through the Central Co-operative Bank for Agriculture and Forestry. Long-term loans are also obtainable from the Agriculture, Forestry and Fisheries Finance Corporation.

318. There is a limited development of forestry co-operatives of the same type in Taiwan, Turkey and the U.S.A.

#### Co-operatives of Forestry Workers

319. Co-operatives of forestry workers are much less widespread than those of forest owners. They existed before the Second World War in a number of East European countries. They undertook contracts or leased timber concessions in state, municipal or private forests, felled the timber, converted it to marketable form, sold it and divided the proceeds. Now, for example, in the U.S.S.R. the whole woodworking industry from the felling of the timber to its manufacture into furniture, is linked together in an elaborate federal structure. The local societies as a rule are engaged in only one stage in the chain of operations. In Greece there are a large number of co-operatives of forestry workers numbering about 16,000 members.

320. In India (Bombay state) various contract co-operatives enter into contracts with the government forest department for felling timber. The members formerly worked for private contractors. They aim at retaining the whole value of the timber for distribution among themselves, partly by higher wages than they would have earned from private contractors, partly in bonuses on the conclusion of the contract. They have been able to bring in technical advisers with a knowledge of forestry and the handling of timber. In British Guiana a limited number of societies have been formed on similar lines. Their organisation met an urgent need among loggers who were very dependent on local sawmillers. The societies were formed with the object of extracting valuable timber from dense jungle and are wholly financed by the British Guiana Credit Corporation (which serves as a central bank for all types of co-operatives). The Corporation provided tractors and ancillary equipment, stores of rations large enough to meet the members' needs until their logs could be sold, and supervised the marketing of the logs produced.

321. In conclusion one or two schemes which do not fit into the above categories may be briefly noted. In several countries communal woodlands belonging to a village are subject to some form of co-operative management. In some co-operatives for the joint use of land, trees for timber or fuel



have been planted, as well as other crops (South India, West Africa). Israel is planning to set up "forest villages", but the degree of co-operation which will be practised remains to be determined. In Saskatchewan, Canada there are tree planting co-operatives with farmers as members. Joint purchase and use of tree planters is the main purpose of these societies, for planting trees as windbreaks.

## Chapter 6

### Co-operative Industry, Urban Trade, Banking and Housing

322. Many industrial enterprises, especially in Europe, have been started by consumer co-operative movements and, particularly in urban areas, such movements have often also built up considerable banking structures (see Chapter 2, paragraph 95). The co-operative method has also been used for the organisation of industrial workers into producers' societies, sometimes taking the form of "self-governing workshops", sometimes concerned with collective contracts or with the purchase of raw materials and the sale of finished goods on behalf of craftsmen working in their own homes. These co-operatives may be situated in rural areas, usually in countries of state-planned economy or of developing economies. When they are situated in urban areas, as normally in Western Europe, they may be described as the urban counterpart of agricultural co-operatives for the joint use of land and machinery, for supply and for marketing. In many of these countries there is an urban credit movement prepared to finance the individual craftsman or tradesman. In others the urban credit movement may cater rather for the needs of the wage earner, that is, for thrift and for provident loans rather than for the supply of working capital. There are in several countries many urban housing co-operatives which may be co-operatives of building workers as well as of prospective tenants or owners.

### Co-operatives of Industrial Producers

#### Origin and Nature

323. The roots of the industrial producers' co-operatives lie far back in the nineteenth century. The first societies were in essence attempts, mainly in Western Europe, by the skilled craftsmen to carry on their trade in a world of increasing mechanisation and mass production, without sacrificing their independence to become wage workers in a private or company-owned factory. In some cases, however, the move came from the opposite direction, where an employer, either in a philanthropic or an experimental spirit, converted his business into a co-partnership which, if genuinely self-governing and profit-sharing, might qualify for registration as a co-operative.

324. In Germany, and later in Asia, co-operation took the form not so much of bringing the independent craftsman into a self-governing workshop, as of enabling him to preserve his independence by providing him with credit for the purchase of raw materials and capital equipment, or alternatively, supplying and sometimes processing his requirements in a joint purchasing society, or marketing the finished products, perhaps after final processing. Such organisations often have as their aim the preservation and gradual modernisation of a so-called "cottage industry", but they may also be the means of establishing dispersed industry of a wholly modern character in country districts where electric power and reserves of labour offer favourable opportunities for industrialisation.

325. Despite some success in the industrial countries of West Europe, as, initially France and the United Kingdom, and at a later date, Italy and Germany, co-operatives of industrial producers have not played a very effective role in the national economy of countries with highly-developed competitive industries. In countries with developing economies in Asia, producers' co-operatives have been more successful as they have been encouraged by governments with a view to advancing the progress of industrialisation. This development has extended to the small industries in rural areas in attempts to increase working opportunities, raise incomes and the standard of living and bring about a more balanced and integrated economy.

326. In the U.S.S.R. and other countries of Eastern Europe an integral part of state plans has been the formation of workers' and artisanal societies which are therefore more widespread and developed than elsewhere. The State's aims have been to transform the small artisan and handicraft production into Socialist production. State aid has been given in the form of raw materials (metals, leather, wool, cotton, textiles) and of equipment. Such societies have been granted preferential treatment and the privilege of renting co-operative mills or unoccupied state warehouses and other business premises. They have been organised for the collective production of mainly consumer goods, thus supplementing the production of state industry.

327. Table No. 8 taken from I.C.A. figures and those of Centrosoyus (U.S.S.R.), and from other sources, gives societies' membership and turnover for a few selected countries and illustrates that producers' co-operation does not play a significant part in the economy of countries in Western Europe and North America. Of the figures for France and Italy, by far the greater proportion is in respect of one type, the building trade, and this type of society accounts for almost the whole of Switzerland's societies and membership. On the other hand the figures for Bulgaria and the U.S.S.R., although they do not compare with the considerable importance of the rural consumer movement, nevertheless represent a significant part of those countries' national economies. In the U.S.S.R. in 1952 producers' co-operatives produced up to 65 per cent. of the country's metal kitchen-ware, 45 per cent. of the cutlery, 40 per cent. of the furniture and 35 per cent. of the metal beds and sewn articles. In Asia, the figures for India, Ceylon and Pakistan speak for themselves, whilst in Mexico there has been an impressive achievement in the productive sectors in certain industries and in particular co-operatives' production is responsible for about 20 per cent. of the national output of cement and about 30 per cent. of the total annual extraction of salt.

Table No. 8. Industrial Productive Societies,  
Membership and Turnover in Selected Countries

Country	Societies	Members	Turnover
Bulgaria (1960)	917	102,000	£500 million
Ceylon (1959)	926	36,000	£ 2 million
France (1958)	582	38,000	£ 36 million
India (1958)	19,631	1,711,071	£ 48 million
Israel (1958)	226	6,674	£ 28 million
Italy (1958)	3,221	248,324	£ 20 million
Mexico (1958)	617	80,000	-
W. Pakistan (1959)	1,353	87,705	£ 6 million
Switzerland (1958)	44	1,920	£ 3 million
United Kingdom (1958)	41	12,554	£ 6.5 million
U.S.S.R. (1955)	8,000	1,200,000	£6200 million

#### Types of Industry

328. These are of the most varied character. In Switzerland, Italy, France and French Canada the majority of industrial co-operatives are concerned with construction or public works. In France there are also many co-operatives engaged in book and paper production, in metallurgical and electrical industries, furniture making, textiles, clothing, leather work and the food trades. In Great Britain the main concentration is in footwear, clothing and printing. In Denmark, the range covers footwear, the food trades, wireless manufacture, printing, publishing and binding, the building trades, hairdressing and cosmetics. In Western Germany, the relatively small number of workers' productive societies (as against the large number of co-operatives of independent small business), are concerned with building, wood and leather working, printing and publishing, electrical trades, water supplies, breweries and slaughter-houses. In Spain, paper, textiles, the metallurgical and electrical trades, footwear, furniture and the food trades are the principal industries organised.

329. In addition to the much larger volume of trade, there is an even wider range of goods produced co-operatively in the countries of state-planned economy. These include most varieties of consumer goods, including textiles, leather goods, cooking utensils and such major items of household equipment as washing machines, also metal and woodwork, small tools and spare parts, building materials, photographic accessories. There has also been an encouragement of the production of national crafts such as papier mâché, artistic jewellery and rug-making in the U.S.S.R. and jewellery and pottery in Czechoslovakia. Although much emphasis has been placed on the preservation of these traditional handicrafts, the great impetus within the movement is towards collective production of high-quality consumer goods with tendencies, as in Bulgaria, towards specialisation even within one commodity (for example, clothing, where sports clothing, children's clothing and so on may be all manufactured by separate organisations).

330. In Mexico there are co-operatives operating two large cement works. Another operates a foundry and several are engaged in the building industry, including one that produces most of the stone for Mexico City. Some societies are engaged in salt mining, others in the baking industry, textile and other small industries. The co-operative printing works in Mexico are perhaps the most advanced in the American continent. In South America, the Argentine and Uruguay have producers' co-operatives in the glass industries and there are others in Argentine and elsewhere in building, woodworking and body-building for public transport vehicles.

331. The light and cottage industries are the main fields of operation for the producers' co-operatives in Asia. In Turkey they are strongest in the textile sector (and many have women members only). In India, Pakistan and Ceylon there are co-operatives of textile, weavers, tanners, carpenters, potters, metal workers and shoemakers (in the main formed by the traditional artisans). In Japan co-operatives for the processing of foodstuffs are more important, but they are also found in other industries as ceramics, lacquer, as well as textiles and some traditional artisanal trades. In Israel producers' co-operation, other than in transport (see paragraph 334) began with small and medium undertakings in the manual trades. Industrial co-operation has since extended to metallurgy and electricity plants, timber and building, textiles and tailoring, diamond-cutting, glass and ceramics, cigarette manufacture, chassis-building and other industries.

332. In Africa there are few examples of the industrial producers' co-operatives. There has, however, been a modest start in Morocco, where there are 50 artisanal co-operatives in leather, both tanning and dressing, and, for example, wallet-making; of potters and carpenters and some women's co-operatives of spinners, weavers and embroiderers. In Nigeria there are some co-operatives in shoemaking, weaving, tailoring, leatherware and wood carving.

### Services

333. A distinction may be drawn between such small co-operative industrial concerns and co-operatives of persons offering professional or skilled services. These may include technicians and accountants (France), musicians, barbers, motor repair mechanics, stevedores, bricklayers and bakers (Spain), entertainment and private teaching, tourist travel services, shipping and port services, ship repairing and warehousing, family consultation services and matrimonial bureaux, selling agencies, shoe repair, dry cleaning and mending, hairdressing and other services (as in Eastern Europe). In Israel co-operatives of this type range from catering, ice and petroleum distribution to the operation of laundries, cinemas, restaurants and the like.

334. Transport co-operatives play a leading part in Israel, where almost the entire urban and inter-urban passenger traffic and a substantial part of goods transport and taxi services are organised on a co-operative basis. In 1956 co-operative motor transport carried 180 million passengers over land while the railroads in the country in the same year transported only 4 million. In France there is a taxi co-operative with its own workshops and garages; a co-operative concerned with furniture removals; a co-operative specialising in the transportation of building materials. In Italy there are co-operatives of carters and of taxi drivers in land transport; in river transport, a co-operative of tugs and barges in sea transport, co-operatives for the operation of passenger and goods

services and of ferries; one co-operative runs a railway. In Western Germany there are co-operatives running passenger and haulage services, inland water transport (tugs and barges) and ferries. In Ceylon two co-operatives run ferry services. In South America transport co-operatives providing public haulage and passenger services are on the increase, particularly in the Argentine. In Africa, Tanganyika is developing transport co-operatives for passenger and haulage services with government financial aid and backing. The members of transport co-operatives may be the owners of the transport, but more usually are the drivers, conductors and work staff who operate the services.

335. Another special class of producers' co-operatives are those for blind and otherwise disabled people. A number of these exist in Poland, Czechoslovakia, Germany and elsewhere. The provision of work and marketing of the product may be combined with care of members' health, social activities and holiday centres.

336. In Western Germany several specialist craftsmen have united together in "purchasing co-operatives", in order to maintain a competitive position. Co-operative purchasing societies of joiners and tailors buy material in bulk. Many tailors' societies operate central cutting shops. In particular such purchasing societies are found in the foodstuffs trade and in certain areas of West Germany 60 per cent. of bakers and butchers are co-operative members.

#### Methods of Administration and Control

337. There are broadly speaking two main types of industrial co-operative: (1) those in which production is carried on by members on their own account, the co-operative existing to help them with the supply of raw materials and capital equipment, the provision of credit and the marketing of the finished product; and (2) those where production is undertaken on the account of the society, which bears the resulting gain or loss. In the latter type, work is generally carried on in a common workshop, but this is not invariable, since raw materials may be issued to members working in their own homes. In some cases a finishing process, such as polishing or assembling may be carried on in a common workshop, while basic production remains individual. Alternatively, the workshop may offer facilities for the preparation of raw materials (e.g. tanning of skins) and these facilities may be rented to members for short periods, the prepared material then being taken to the worker's home for further manufacture.

338. All adult fully-trained workers are usually admitted to membership, but it is not uncommon to find that producers' co-operatives employ fairly large, sometimes equal, numbers of non-members, who may be either young, untrained, unskilled or temporary labour. In the numerous co-operatives of which the members are master-craftsmen and the owners of small businesses, their own employees may be, but more often are not, members of the society.

339. In co-operative workshops, where all or most of the adult workers are members of the society, some interesting points of personnel relations and work discipline arise. The managing committee is elected by and from the workers, and in turn appoints the manager and other supervisors. The members of the committee may, however, be ordinary workers who, in working hours, accept the orders of managers and foremen whom they have themselves appointed. In some cases difficulties arising from such relationships have broken up the society. In others, a tradition has been successfully established combining discipline and democracy. In some cases offices are elective but are not held by any one member for more than a limited period. Where work is carried on in members' homes, the problem of discipline is less likely to arise, though control must still be exercised over delivery dates and quality of workmanship. Where the members are independent craftsmen, their relation to their co-operative is the same as that of farmers to a supply and marketing society, and no special problems arise.

#### Finance and Capital Equipment

340. Industrial co-operatives are almost always based on limited liability and share capital subscribed by the members. This may be substantial when the members are themselves the owners of small businesses. Most co-operatives of this type borrow either for capital equipment or to meet current expenditure, especially on raw materials. In some countries industrial co-operatives create their own national funds for these purposes.

341. In developing countries mechanical equipment, such as power looms, lathes, drills and saws, has been made available on easy terms by government authorities. In India the Government helps potential members with loans in order that they may take shares in industrial co-operatives, and also lends working capital at low rates of interest either directly or through co-operative banks under government guarantee. In recent years this service has been operated by the Reserve Bank of India. The Bank has provided funds, through co-operative banks, for the production and sale of handloom cloth. The Egyptian Government gives loans and technical aid, as does the Government of Ceylon and that of Turkey. In Japan, short-term loans are provided through the semi-governmental Central Bank for Commercial and Industrial Co-operatives, while long-term government loans are made through the Smaller Enterprises Financing Bank and the National Financing Bank.

342. In countries with state-planned economies the State initially at least made available to producers' co-operatives all means of production in a planned manner at fixed wholesale prices. State credit is utilised in these productive collective enterprises, though they are being encouraged to build up their own resources and substantial central funds built up out of their own surpluses are available, as in the U.S.S.R., for long-term loans. Funds for the financing of producer co-operation, particularly among the poor peasants, have, in the U.S.S.R., been provided by several different types of co-operatives, including the rural consumer co-operatives, and by public organisations like peasant mutual aid committees.

343. In other countries, for example the United Kingdom and Denmark, workers' productive societies are also closely concerned with the consumers' co-operative movement, and in the United Kingdom, consumers' movements have taken shares in such societies. In France the Central Co-operative Credit Bank makes available long-term government loans but this degree of government support is not met everywhere. In Western Germany industrial co-operatives rely entirely on co-operative banks built up by individual thrift, especially the 718 People's Banks, most of them quite substantial institutions on the Schultze Delitzsch model, the five central banks which they have formed, and the national German Co-operative Bank in Frankfurt. In Israel, industrial co-operatives have their own central organisation, Merkaz Hacooperatzia, which operates a loan fund. In Spain loans may be obtained from the Syndical Organisation or the National Union of Industrial Co-operatives, both for modernisation of plant and for purchase of raw materials.

#### Supply of Raw Materials

344. In India and other developing countries, basic raw materials such as iron, steel and cement, are government controlled and may be purchased at favourable prices by industrial co-operatives. In Burma, the import of silk and cotton fibres is also controlled, and co-operatives buy from Government. The means of production provided by the State in those countries with state-planned economies includes maximum aid in the supply of raw materials. Elsewhere, co-operatives buy their raw materials in the best market open to them, whether they are for use in their own workshops or for resale to their members working independently. Small enterprises which are members of a co-operative do not necessarily make all their purchases through it; in Japan, the proportion is put at not more than 35 per cent. to 40 per cent. In some countries supply co-operatives have their regional and national wholesales, which buy in bulk, hold stock, offer samples, and may be prepared to allow sales on credit to local co-operatives. These wholesales may be specialised to a single trade rather than to a region, but the range of goods carried may still be considerable. The Central Union of the German Shoemakers' Raw Material Co-operative, for example, carries several varieties of leather, rubber, chemicals, textiles, adhesives, lasts, wood and plastic heels, machines and tools of all kinds.

#### Marketing of Products

345. The industrial co-operative producing on its own account naturally has to find a market for its products. This may not be easy, particularly for an undertaking in its early stages, which has not built up a reputation and connections with customers, and is sometimes too small to advertise or usefully to adopt a brand name. Sometimes the problem is solved by an understanding with the consumers' co-operative movement which will take the greater part of the society's output. More often, producers' co-operatives rely substantially on

government contracts for such things as civil and military uniforms, constructional work on government housing and bridging, furniture for schools and offices. Other co-operatives have succeeded in building up a market by normal competitive methods.

346. In the countries of state-planned economies there are not the same marketing difficulties as the co-operative productive enterprises are officially looked upon as an important supplement to state industry. Production is marketed through state organisations or through the Rural Consumer Co-operative Movement. Goods for export are handled either by the State or by the national central body of the Producers' Co-operatives (for example, the Central Union of Workers' Producers' Co-operatives in Bulgaria).

347. Co-operative marketing of products from the independent producer member is less general. In Turkey there are, however, over 300 societies for over 100,000 weavers who work at home. The society distributes their products through its shops. Members are in fact only partly independent as they rely on the society for the supply of raw material and for credit. In many cases the producer is making for a local market (as in the case of the village baker or shoemaker) or he may sell direct to retailers or wholesalers. Sometimes co-operatives can secure better outlets by negotiating large contracts with private firms, and distributing the work among their members. Where the product is surplus to local requirements and must be sold at a distance, co-operative marketing may be essential. This is particularly necessary where, as in the case of handloom cloth in Asia, the market is uncertain and would probably be lost to factory-made goods if the handloom product were not given a measure of government favour. In some countries co-operative marketing has for its object the preservation of a local craft of artistic value - the carpets and leatherwork of North Africa, the wood carving of West Africa, the silk and other fine textiles of India. The problem here is that the materials are costly, the work slow and exacting, and the product too expensive for anything but a luxury market. Sometimes this market was only provided by an aristocratic society which no longer exists in the developing countries of today, or by a religious cult which is disappearing. Sometimes an export or tourist market can be substituted, but not always.

348. Co-operative marketing serves a rather different purpose when, as in Japan, manufacture of the component parts of, for example, bicycles, is allotted to a number of small firms, some of which may themselves be producers' co-operatives and the parts are assembled in a co-operative factory which is then responsible for their sale.

#### Distribution of Earnings and Surpluses

349. If the society manufactures on its own account, members are paid wages, usually at the customary rate for the job, but sometimes based on the quality, as well as the quantity, of the work accomplished. There are, however, cases - the Association of Precision Instrument Makers in France, for example - where at least for many years, the same wage was paid to all members of the society, whether working at the bench, keeping the accounts or managing the factory. Members who take work to their homes may be paid wages, but they will usually be at piece rates. Where a society is providing services for independent producers, goods are taken over at current rates for sale on the market. In producers' co-operatives any disposable surplus at the end of the year may be used as a dividend on share capital, distributed in proportion to work done, wages earned or goods delivered; some may be allocated to central funds for building up reserves, long- or medium-term loan capital; some may be used for building up capital development funds within the society itself; some may be used for the purpose of general welfare. In co-operatives for the supply of raw materials and tools, this surplus will of course be the only form of earnings available for distribution to members.

#### Technical Advance, Training and Apprenticeship

350. The tendency of all industrial productive co-operatives is to improve the technical level of production, to modernise and to mechanise. This is usually one of the main objectives of the secondary organisations and of the government departments which use this form of co-operation to promote industrial development. Where no pressure is applied to this end, it is always possible that co-operative organisation, especially if supported by government subsidies,

may, for a time, keep in being an uneconomic traditional form of production which would otherwise be quickly brought to an end by competition from factories in the same or another country.

351. There are fairly comprehensive programmes in the professional training of personnel producers' co-operatives in Eastern Europe with the aim of improving the qualifications of technical managers and specialists. Institutes for the advanced training of leading workers in the producers' co-operatives have been established in the U.S.S.R., Bulgaria and other Eastern European countries. They may be the responsibility of the Central Union. Elsewhere the training of staff by apprenticeship or by the use of schools and part-time release, takes place in some countries, but it is doubtful whether it is general or systematic. In Western Germany it occurs within the general framework of occupational training and to the standards laid down by general trade associations. In Japan, the Central Federation of Small Enterprise Associations undertakes some short-term employee training and runs a school which gives short residential courses for small numbers of students, but it is recognised that more is required.

#### Secondary Organisations

352. Secondary organisations of producers' co-operatives are of various kinds. In Bulgaria there is the Central Union of Workers' Productive Co-operatives which co-ordinates and controls the activity of such co-operatives in the whole country. In the U.S.S.R. there is an essentially three level structure of Producers' Artels, Producers' Council (Territorial or Regional), and Republican Council. The Central (National) Producers' Council has been abolished, but co-ordination in production is achieved in conjunction with the Economic Councils and the local Soviets. In Western Europe, Western Germany has a single national federation which performs the functions of purchasing, representation of the affiliated societies' interests, marketing, auditing and banking. The federation includes also Urban Thrift and Loan Banks and Retail Traders Co-operatives to form an organisation of great strength and considerable flexibility. Such various functions are often carried out in other countries separately by specialised federations. There is a National Federation in Austria and also in Switzerland where there is an organisation uniting a great variety of trades connected with the building industry. In the United Kingdom and in France there are co-operative producers' federations. In the latter country this unites a number of federations that specialise in such trades as building and public works, books, clothing, engineering and electricity.

353. In Israel all producers' co-operatives are affiliated with the Centre of Co-operation which in turn has subsidiaries of its own for the promotion of co-operative aims, a co-operative fund to finance the establishment of new societies, and a purchasing co-operative serving in particular the requirements of the transport co-operatives. All co-operatives are controlled by the Audit Union of Industrial Co-operatives.

354. In India industrial co-operatives have federated into district and state co-operative unions for the purpose of disposing of their goods as well as for obtaining supplies of raw material and equipment. In some states one state industrial co-operative society assists all varieties of industrial co-operatives in supply and sale, but the tendency is to separate the textile industrial co-operatives from all other industrial co-operatives, for which a separate organisation is to be established. Two states in India have flourishing apex weavers' co-operative societies which have established dye-houses as well as depots, experimental factories, and spinning mills for manufacturing yarn for supply to affiliated weavers' co-operative societies. In Japan there is a Central Union of Small Enterprise Co-operatives, the activities of which are largely confined to defending the interests of industrial co-operatives and to providing guidance and educational facilities. In Ceylon there are unions of industrial co-operatives, mostly for textiles, although there is no central union for the whole country.

#### Social Aspects

355. Most producers' co-operatives are sensitive to the welfare of the members, with whom they are often of necessity, more closely and continuously associated than are co-operatives of consumers and agriculturists. Some pension and sick benefit schemes are operated for co-operative workshops, the measures adopted varying with the traditional standards, and the level of government and social services in different countries.



356. In the U.S.S.R., Czechoslovakia and other Eastern European countries where producer co-operation is strong, producer co-operative members usually have the same rights to free medical treatment as well as sickness and old-age benefits as are enjoyed by workers in national enterprises. Costs are defrayed by the co-operative society; in addition often sanatoria, holiday homes, crèches, kindergartens and old people's homes have been established.

357. In France the 50 Workers Productive Co-operatives, the best known being the Boimondau watch case factory, represent a novel form of a producer's working community on co-operative lines with collective ownership and management and a synthesis between individualism and a collective way of life. The mutual aid system embraces medical care, canteens, kindergartens, entertainment and the like. This type of producer activity is very much in its experimental stage.

358. Japanese industrial co-operatives sponsor welfare services, build hostels and supervise the recruitment of workers though these may in some cases be employees rather than actual member societies. In India some of the hand-loom weavers' societies have been able to launch housing schemes for their members assisted by liberal loans from the government.

#### Labour Contracting Co-operatives

359. Co-operatives of this type are not always readily distinguishable from the producers' co-operatives just discussed, especially when they are concerned with the building trade. The characteristics of the labour contracting co-operative, however, appear to be that its members are manual workers, that they work as a team, and that they are mobile and do not depend on fixed equipment or a single place of work. They seem to have originated in Italy and Hungary among the gangs of labourers employed in civil engineering projects, road and railway construction, tunnelling, bridging, drainage and irrigation. The co-operative chose its own leaders, negotiated a contract with the prospective employer, and made itself responsible for the distribution of wages as well as for the discipline of the gang. Little capital was required and group loyalty was the main factor of success.

360. The attempt to organise building labour in the same way proved more difficult. Not only were a number of trades involved, as well as unskilled labourers, which created problems of balanced employment and possible conflict of interests, but in order to tender for building contracts a co-operative had to be able to demand both professional skills and considerable capital. No payment for buildings is made until their construction has reached a certain stage and in the meantime costly raw materials must be bought. In technically advanced countries expensive mechanical equipment is also required. Lack of capital wrecked the building guilds in Great Britain immediately after the First World War, and, where they have succeeded, as in Italy, it is usually because they have received special facilities. In the developing countries of Africa there have been one or two not unsuccessful experiments at establishing building co-operatives.

361. Labour-contracting co-operatives have carried out many of the agricultural services described in Chapter 3, paragraph 239. Port and dock labour has been organised co-operatively in parts of India and in Israel. Some transport co-operatives, in particular those handling a single material as road metal or refuse, are sometimes classified as labour-contracting co-operatives.

#### Organisations Offering Contracts

362. Probably the most important source of contracts is the government, which is responsible for a wide range of public works requiring temporary mass labour, and is usually the owner of public services and natural resources such as standing timber. Municipalities, port authorities and public utilities may also offer contracts. Some co-operatives, however, work for private employers, particularly, perhaps, in agriculture. They may also work for another co-operative: for example, a builders' society may work on contract for a housing society.

#### Finance

363. Co-operatives simply contracting to supply labour usually have few financial problems and the initial share capital obtained from members may be sufficient for the societies' immediate requirements. The exception to this is

the society taking full responsibility in building projects. Such societies have only, it seems, succeeded when the other party to the contract, usually a public authority, is prepared to make or arrange substantial advances before the work has been put in hand and perhaps at intervals while it is in progress. A co-operative bank may be in the position to provide the advance but will probably expect a government guarantee as a labour co-operative is unlikely to be able to offer much in the way of security.

#### Administration and Control

364. Formally, this differs in no way from the usual co-operative system. In practice, the success of a labour co-operative depends greatly on the choice of a principal officer, secretary or chairman, who can, not only negotiate a profitable contract, but see that it is carried out with discipline and efficiency. Building groups, at least in Italy, usually employ their own technical experts, including architects who are themselves members of the society.

365. Labour-contracting co-operatives are not very numerous in most countries, and do not as a rule set up national federations of their own, though there are instances of builders' co-operative federations, e.g. Switzerland, France. They are more often members of a general federation of co-operatives or of workers' productive societies, by whom they may be audited and from whom they may receive guidance.

#### Distribution of Earnings

366. In most cases daily or weekly wages are paid, sometimes at the current rate, sometimes at a lower figure, allowing a margin used to build up the reserves of the organisation, for social services, or for the payment of unemployment relief in slack periods. Any surplus at the end of the year may be distributed as bonuses in proportion to wages already paid. Where technical experts are employed, they are paid appropriate salaries.

#### Social Services

367. Besides unemployment pay, sick pay and sometimes pensions, some societies provide canteens and sleeping quarters for their members. Where members are living away from home, these may be quite elaborate, and include hospital, recreation room and sports grounds, attached to a well-constructed camp designed to last for a year or more.

#### Urban Credit Co-operatives

368. The production of urban credit is an important and widespread form of co-operation which has existed for a long time and has built up considerable resources. Co-operation in urban credit is unequally distributed throughout the world. No so much because the need is not general but because in some countries it has been met in other ways. In Scandinavia for example, the local savings banks which are non-profit making but not strictly speaking co-operative, fulfil much the same role. In the United Kingdom, the acceptance of deposits by the consumers' co-operatives and by the Post Office Savings Bank, met the need for thrift, though not for loans which were, however, obtainable from the commercial banks and building societies.

369. Urban credit co-operatives fall into two main classes. Their objectives are theoretically distinct but in practice a good deal of overlapping of functions takes place in the same institution. The first category is credit for the salary or wage earner. Such credit is required for personal and domestic needs ranging from the purchase of a house to a holiday or a suit of clothes. Loans for these purposes cannot be described as "productive" but may if carefully chosen be classed as provident. They should in any case be based in part at least on the borrower's thrift. By far the largest and most powerful group of credit co-operatives for wage and salary earners is constituted by the credit unions of the United States.

370. The second category are those urban credit co-operatives which make loans to traders, artisans and small business men for productive purposes. That is to say, to provide fixed and working capital for their undertakings. These are in practice also based on thrift, but borrowing from outside sources or from the thrift of others is not necessarily unsound since the object is an investment,

which, if well designed, will earn the repayment of the loan as well as increasing the income of the borrower. The country in which co-operative organisations of this type are most highly developed is probably Germany but they flourish also in other European countries, in Japan, India and other parts of the world. They are closely linked with the industrial producers' co-operatives.

371. A somewhat different form of credit for traders and craftsmen is the guarantee co-operative which seems to have first been developed in Switzerland, but has spread amongst other countries to Turkey. In this form the co-operative does not itself make the loan but provides the member with a guarantee with which he can borrow from a bank.

372. In developing countries the thrift and loan society, where it exists in urban areas, is more concerned with the encouragement of thrift and, by making carefully regulated loans, where necessary, for basic needs, with helping wage earners to put their finances in order. In the countries of Eastern Europe with over-all state planning of finance and trade, because of the nature of the economy, the co-operative organisation of urban credit is generally inappropriate as most credits come from the State. There are, however, some urban credit co-operatives in for example, Yugoslavia, as the Railway Men's Credit Co-operative in Belgrade.

#### Co-operative Credit for Wage Earners

373. The most important group of co-operatives in this category are the Credit Unions, of which there are 20,000 in the United States and 4,500 in Canada, and smaller numbers in South America, the Caribbean and to a limited extent elsewhere. They were originally inspired by the Raiffeisen movement in Germany, but have in fact developed on rather different lines. The largest number of credit unions are based on occupational groups, in which the members are the employees of a single firm or government department. Others may be members of a trade union or professional association, a consumer co-operative or a church congregation. Rather less frequently, the union is based on a residential group in a village, or suburban housing estate. Liability is limited. Credit unions are entirely financed by members' share capital and savings. Outside borrowing, though permitted, is exceptional. Nor do credit unions normally transfer surplus funds to any other institution. As a result of this policy, there is a tendency to restrict members' shareholding and/or deposits to any amount which, in the aggregate, can be lent to the union's own members. Deposits are usually made at regular intervals and in fixed amounts, often deducted, with the member's consent, from his pay packet by his employer. In the case of repayment of loans, instalments may be deducted in the same way, as they fall due.

374. Loans are made almost entirely for provident purposes. The following not very recent figures illustrate the purpose of loans granted by a sample of federal credit unions in the United States of America.

<u>Purpose of Credit Union</u> <u>Borrowings</u>	<u>No. of Loans</u> <u>Percentage</u>	<u>Amount of Loans</u> <u>Percentage</u>
<u>Emergency credit</u>		
Taxes, financial expenses, medical expenses, living costs	44	30
<u>Purchase of durable goods</u>		
Automobiles, household goods and others	22	37
<u>Credit for other purposes</u>		
Insurance premiums, holiday expenses, education	32	28
Business investment	2	5

The rate of interest chargeable may be up to 1 per cent. per month or a maximum of 12 per cent. though of course many unions charge less than the maximum. The average amount of loan has been increasing in the last ten years and is greater, in

the larger and stronger unions. Loans are either on personal security only, sometimes with a guarantor or on various forms of collateral. No loans are made on mortgage or for long-term purposes.

375. Credit unions are managed by elected committees in the ordinary way. In the initial stages staffing is by volunteers, and even when a paid treasurer is engaged, he does not as a rule have banking qualifications. The credit unions are, however, organised in local "chapters" and in state leagues, which are in turn members of the Credit Union National Association. In Canada the leagues are on a provincial basis. The leagues have trained staff and act as promotional bodies, give technical advice and train the staffs of the primary unions. The National Association (CUNA) has departments dealing with organisation, extension, legal and legislative matters, public relations, advertising and promotion, and world extension. It has special Auto-Insurance and Chattel Lien Non-filing Bond Departments, which facilitate the work of the primary unions. It has two subsidiaries; CUNA Mutual insures loans up to £3500 and, in the event of the borrower's death or disablement, reimburses the Union from the unpaid balance. It also provides credit union members with life insurance based on share capital invested. CUNA Supply, provides unions with stationery, equipment and publicity material. Neither the state leagues nor CUNA handle the funds of the credit unions, which, though they do, to some extent, borrow from one another, have no form of regional or national clearing system.

376. Federal Chartered Credit Unions are supervised by the Bureau of Federal Credit Unions under the Department of Health, Education and Welfare. The Bureau has six regional offices and carries on audit, supervision, investigation of new applications for charters, liquidations and general research. Of these, audit is the most important.

377. Partly through the promotional "world extension" work of CUNA, credit unions have spread to parts of Latin America including as far afield as Chile, the Caribbean (in particular Trinidad, Tobago and Jamaica) and Puerto Rico, and to Fiji. Meanwhile the Canadian movement has expanded to over 4,200 societies. The credit union movement in the Americas now has over 13 million members.

378. There are, though not so massive as in the Americas, strong and successful organisations of wage earners' co-operative credit elsewhere. Notable examples are the German railwaymen's, postal workers' and civil servants' loan and savings banks, with an aggregate membership of about 1 million. These are entirely self-financed; they have their own auditing unions and central banks, and are in a position to give certain banking services, such as money transfers on behalf of their members. There are two urban credit movements in Belgium, one affiliated to the Federation of Christian Co-operatives, and the other to the Co-operative Depots associated with the socialist consumers' movement. Credit co-operatives have been formed in Australia often in connection with Catholic parishes.

379. In a number of Asian countries, especially India, Malaya, Ceylon, Burma and Hong Kong as well as in a few countries in Africa and not always restricted to urban areas, thrift and loan societies have been established among government employees, viz. civil servants, railwaymen and others. The societies are based on share capital and limited liability and thrift is usually secured by regular agreed deductions from the member's pay. (In Indonesia for example, members undertake strict obligations to make regular contributions to their society's share capital.) Loans are made for provident purposes. Credit co-operatives have been established on rubber and tea estates for migrant labourers anxious to save for their families and to send remittances home, a transaction which can be carried through by the society on their behalf.

#### Credit for Traders, Craftsmen and Small Businesses

380. Co-operatives providing credit for traders, craftsmen and small business men are more widespread than those providing credit for the salary or wage earner. They are to be found in many countries in Western Europe or Asia. The system had its origin in Germany and the work of Schultze-Delitzsch in the mid-nineteenth century. There are now over 700 People's Banks in Germany, with over 700,000 members and total resources of about £550 million, all derived from members' shares and the deposits of members and others. Liability is limited, share capital is relatively high, the minimum being about £15-£75, and large borrowers may be expected to take up additional shares. No government financial aid has ever been sought or accepted.

381. The membership is drawn from the following classes: independent tradesmen (artisans) 21 per cent., retail traders 11 per cent., farmers 11 per cent., other industries and businesses 15 per cent., professional workers 7 per cent., salaried workers, pensioners, 35 per cent. Loans are made only to members and in the great majority of cases for productive purposes connected with the member's business. They may be made by discounting bills or on drawing account. Most are at short-term, and the long-term loan was at one time a rarity. The technical requirements even of small-scale trade and industry are, however, changing very rapidly, and the People's Banks are adapting themselves to the need for long-term loans for the re-equipment of shops and workshops.

382. Security for loans from the People's Banks may be personal, usually backed by guarantor, or on chattel mortgage (often workshop machinery) or other material security. In recent years many trades and crafts have formed their own guarantee co-operatives, which are prepared to give a guarantee up to 80 per cent. of the loan made to one of their members by a People's Bank to take the risk. This in turn may be backed to up to 80 per cent. by the provincial government, leaving the People's Bank to take the risk on not more than 20 per cent. of the loan. Nearly all People's Banks not only accept savings and make loans, but provide a full banking service. They are obliged to employ at least one official with full banking qualifications.

383. The People's Banks are all members of ten Auditing Unions, which also include other industrial co-operatives (e.g. producers, traders supply) among their members, unless, as happens in some cases, they have an auditing union peculiar to their own trade. The People's Banks are also members of one or other of the five Central Banks, and have clearing agreements with the agricultural co-operative central banks. The industrial and agricultural central banks, the building savings banks (which make loans for house building) and the agricultural and industrial co-operative insurance institutions, are all members of the German Co-operative Bank, in which they hold 51 per cent. of the shares, the rest being held by the Federal and Provincial Governments. This is a semi-official body set up after the Second World War, which acts as an apex organisation for the whole West German co-operative movement. It is not, however, a channel for government finance. It has a subsidiary, the German Co-operative Mortgage Bank.

384. Another central organ of the German industrial credit movement is the People's Bank Guarantee Fund, which is regarded as offering a form of security preferable to the insurance of deposits. The latter can only be called into use if an actual loss has taken place, whereas the guarantee fund is available to stabilise the position of any local bank in which weakness has been revealed by the audit, even if no losses have occurred.

385. People's Banks in Austria were formed on the principle of the Schultze-Delitzsch system and therefore closely resemble those of Germany. The Italian Popular Banks are similar with some adaptations made when they were first introduced into Italy nearly a century ago by Luigi Luzatti. They suffered during the Second World War but gradually regained their position. In France there are 54 Popular Banks with a membership of about 55,000 traders and small business men. They have substantial resources in shares and deposits but can also draw on the State Fund for artisans in order to make loans to members. In Norway the Traders' Credit Society and the Industrial Mortgage Society, both national in scope and both with joint and several liability, lend money respectively to traders and industrialists at long term, for investment in plant and premises. The Netherlands Middle Class Bank fulfils a similar purpose but is a joint stock company with governmental aid, although some of its branches were founded as Raiffeisen-type co-operatives. The Swiss Federation of Co-operative Guarantee Societies for Arts and Trades, with five organisations based on different trades, ten co-operatives and 5,445 members, does not itself provide credit, but, after expert investigation of a member's business, will give a guarantee which enables him to borrow from a private bank. It has built up a guarantee fund against loss.

386. Credit co-operatives for traders and craftsmen are well established in some parts of other continents, especially Asia. They are usually based on the Schultze-Delitzsch model again with share capital, limited liability and a relatively large membership. Their members are usually small and medium traders who may include in some cases doctors, engineers and other professional people. Some societies also have employed persons as members and are therefore difficult to distinguish from wage earners' credit societies. There are 11,371 co-operatives

for traders and craftsmen in India alone with a membership of 4,231,000, and 460 with 803,000 members in Japan. There are also important movements in Pakistan, Israel and Taiwan. In South America, Brazil and Argentina, these movements can show People's Banks based on limited liability making short-term loans for business purposes. There are similar banks in the Ismailia community in Kenya. In Eastern Nigeria, a considerable credit movement based on village societies has a mixed membership, many of whom, however, borrow for purposes of small trading and handiwork. In Turkey a substantial organisation of artisans and small traders has followed the Swiss rather than the German model, and gives guarantees rather than credit. The types of credit available are (a) rediscounting artisans' bills up to nine months; (b) medium-term loans up to two-and-a-half years, repaid by six monthly instalments; (c) development credits, allotted by draw, and also repayable by instalments. Recently, a fourth type - initial capital for starting small businesses - has been added and is also allottable by draw. Japan also has guarantee associations but in conjunction with loan banks.

387. Resources of these co-operatives are derived mainly from deposits together with share capital and reserves. There is some borrowing from co-operative financing banks and from the governments (in Israel, government deposits are substantial). Loans are usually short-term (up to one year) but include medium-term loans, usually for two to three, but sometimes up to, five years, and are in the main for productive purposes. They are made for the most part on personal security, sometimes backed by a guarantee association, sometimes by bills of exchange. Chattels, such as deposits, government securities, raw materials, stock-in-trade or (especially in India) jewellery, are also accepted. Mortgage on real estate is less usual. Loans are in general to members only, though in India, societies lend to non-members on the security of their fixed deposits. In Japan, due to post-war legislation for urban co-operatives forbidding not only loans to non-members but also deposits from them, many credit societies became registered under the Credit Corporation Law and ceased legally, though not in principle, to be co-operatives. Fifty-one per cent. of the deposits in such corporations come from non-members. However, there are still many credit societies registered as co-operatives and there has been pressure by these to have the restrictions regarding non-members' participation removed.

388. In India, Pakistan and Ceylon, there are no separate regional or national banks for urban credit co-operatives. They are affiliated to the same central and state co-operative banks which finance agricultural credit societies. Their relationship is, however, rather different, as most of them have a surplus of deposits over loans, which they redeposit in the central banks, only drawing on them for loans in exceptional circumstances. In Israel the Zerubavel Bank is the central financial organ of the General Co-operative Credit Societies. This is the only central bank in Israel which is registered as a co-operative and works exclusively on behalf of credit societies. The Workers' Bank serves those credit societies established by the Histadrut for Jewish labour, as well as other affiliates of that organisation. The fairly numerous urban societies in Taiwan have no central bank. In South America the predominant forms of urban credit are credit banks in Brazil and the Argentine and Central Credit Corporations in Chile and Peru which are affiliated to CUNA and are run on the same lines as that organisation's other affiliates.

389. In Japan the system is more complex because of the rather artificial division between credit societies and credit corporations (paragraph 387). The credit societies registered as co-operatives have one national federation, the Credit Corporations, registered under the Credit Corporation law, another. The National Federation of Credit Co-operatives has, as its major functions, the channelling-in of outside funds to meet member societies' credit needs. This is in marked contrast to the Federation of Credit Corporations which have excess funds available, for profitable investment on behalf of members - its major function. Neither organisation carries on banking activities. There are also mutual banks in Japan, but they do not appear to have a federal structure. There are three national organisations which act as banks for co-operative credit institutions: the People's Credit Corporation; the Smaller Enterprises Finance Corporation; and the Central Bank for Commercial and Industrial Co-operatives. The first two are governmental organisations, using public money. They lend through credit co-operatives, credit corporations and mutual banks. The first-named also has branches of its own and the second uses private banks. The Central Bank for Commercial and Industrial Co-operatives is semi-governmental, but the urban credit co-operatives, together with other urban co-operatives, hold a

majority of the shares. A considerable part of the funds is supplied by the government in the form of subscriptions to bonds or through advances from the Smaller Enterprises Finance Corporation and the Bank of Japan.

390. The Japanese Credit Guarantee Association guarantees loans to members from co-operative and other banking institutions. There is a governmental insurance fund which insures loans and reinsures those guaranteed by the guarantee associations. In the Turkish guarantee associations, the members, usually artisans and small traders, accept liability at ten times their subscribed share capital, and may borrow up to five times their share capital from the People's Bank of Turkey and the Provincial People's Bank.

391. The urban co-operative credit banks and organisations have considerable international contacts among themselves. The "world extension" activities and functions of CUNA are felt in many countries of the American Continent (paragraph 377). The People's Banks of Europe and some overseas countries have their own international body, the International Federation of Popular Credit, with offices in Paris and membership drawn from Austria, Belgium, Canada, France, Italy, the Netherlands, Switzerland and Turkey.

#### Traders' Supply Co-operatives

392. These are often grouped with the co-operatives supplying raw materials to craftsmen and small businessmen, and cannot always be distinguished statistically. Their purpose is, however, rather different, since they are supplying goods to retail shops for resale to their customers. They are not very widespread and do not occur at all in many countries with advanced co-operative movements. Where they are present, however, they may be of considerable importance and may have their own quite elaborate secondary organisations, regional and national, with advisory, auditing, financial and insurance services.

393. In Germany, retail traders' societies account for three-quarters of the turnover of all the industrial supply co-operatives, and it is calculated that one German grocer in three is a member of a society. Two-thirds of the turnover is in foodstuffs, drink and tobacco. There are two major federations, Edeka, the older of the two, with 232 societies and 34,000 members, and Rewe, with 97 societies and 12,000 members. Edeka has four major central organisations - a Union, a wholesale society, an import agency and a bank. The Union audits member societies and runs educational and advisory services. Its departments include auditing; taxation; legal; statistical; co-operative and professional education and training; international relations; and finance. It has several subsidiaries: an insurance and pension scheme; a publishing house; a publicity service, which also plans new shops, remodels old ones, and trains members in window dressing; a "savings and work group", which helps young men to set up as retail grocers. The Central Wholesale has nine regional branches and specialised buying officers for fish, dairy produce and wine. It operates through bulk buying and does not itself produce. Its members are not bound to buy through it, but its trade is in fact increasing. The import agency specialises in tropical products and has a coffee factory. The bank also has nine branches and exists to facilitate trade and makes available short-term trading credits to member societies. It offers both current accounts and savings accounts. Over two-thirds of its resources consist of funds deposited by members.

394. Rewe works in a similar manner, but on a smaller scale, and without a bank of its own. There are three other specialised federations serving respectively tobaccoists, dairymen and pharmacists. Drapers and shoeshops, though they have fairly numerous co-operatives, are not organised in federations. There are some purchasing groups of private wholesalers, agricultural merchants, food processors, hotel keepers and coal builders' merchants.

395. Traders' wholesales on similar patterns exist in some other European countries, notably the Netherlands and France. Elsewhere the same service is carried on by joint stock companies. In Asia, traders' co-operatives are apparently peculiar to Japan; elsewhere they are regarded as rather unco-operative. In Japan they run chain stores and department stores. They may also purchase raw materials for industrial co-operatives and find a market for their goods. They accept such co-operatives as members, as well as private industrial producers. They make use of the same sources of credit as other industrial co-operatives.



396. In some countries, both in Asia and Africa, trading tends to be in the hands of a racial minority, usually immigrant. This has sometimes led to a movement, spontaneous or government-sponsored, to make it easier for the indigenous population to become successful traders by providing the protection of a traders' co-operative rather than by pressing for the formation of consumers' co-operatives. A scheme on these lines was initiated some years ago in the Philippine Islands, where the traders' societies were somewhat confusingly known as consumers' co-operatives.

397. Similar experiments have been made both in East and West Africa, but few co-operatives for this purpose have been permanently successful. The causes of failure are probably in the main the lack of business training and responsibility, especially for payment of debts, on the part of the members; also, perhaps the limited size of the groups involved, which means that they cannot carry their buying very far back along the chain of middlemen, wholesalers, importers or exporters, and the absence of a supporting urban credit system.

398. In the last few years a new method has been adopted in Western Nigeria, where the existing Co-operative Supply Association has been enlarged in scope and provided with substantial capital by the Co-operative Bank, in order that it may import and hold stocks of goods which are then resold either to a rather limited number of consumers' co-operatives, or direct to petty traders, who are individually members of the Supply Association. In addition, the Association sells directly to the public through 35 retail branches, two self-service stores and a super-market (paragraph 71). It is envisaged that the Co-operative Supply and Trading Association of Tanganyika (see paragraph 71), in areas where consumer co-operatives are uneconomic and where shops are few and far between and the population sparse, will, eventually, supply co-operative buying clubs (having small traders as members) with consumer goods for resale.

#### Co-operative Housing and Building

##### Definition and General Survey

399. Co-operative societies for the purpose of helping their members to secure reasonably-priced, socially, acceptable housing have existed for many years and are now widespread throughout the world. Their growth has been stimulated in recent years by a number of factors: the destruction caused by the Second World War, mainly in Europe; the arrival of refugees and transferred populations, chiefly in Asia; the general rise in population; migration to the towns; the higher standards of living of the workers and their demand for better accommodation; the rise of a new middle class, especially in Asia and Africa; the ideas of planning and community development. In many countries governments have been prepared to give special facilities to co-operative housing societies and to make capital available to them on easy terms. Not all housing projects which are now profit making or state aided are necessarily organised on a co-operative basis. They may be carried out by statutory or philanthropic bodies or by prospective users, organised in joint stock companies. To treat co-operative housing societies in isolation would, in some cases, give a somewhat unbalanced picture of non-profit-making housing in a particular country.

400. In Western Europe co-operative housing organisations have played a leading role in post-war rehousing and new housing development. The Scandinavian countries, Switzerland, France, Germany, Austria and the Netherlands, all have a striking record in this respect. In the United Kingdom co-operative housing finance has been practised on a large scale for many years, co-operative housing is relatively new and on a modest scale. In Italy co-operation is mainly among house-building workers. In Eastern Europe, Poland, Czechoslovakia and Bulgaria give scope for co-operative housing on a considerable scale. There is also a co-operative housing scheme in Yugoslavia.

401. Development is not on the same scale in other continents, but there is a substantial housing movement in Asia, especially in India, Pakistan and Israel, but with at least ten other countries involved, including Turkey and others in the Middle East. In Africa, the most substantial development is in Egypt, but a beginning has been made in Kenya, Nigeria and Dahomey. Australia has carried on co-operative housing finance for many years, but actual co-operative housing has developed in the last few years. In Canada and the United States co-operative organisation for this purpose has been on a small scale until recently, but is attracting increasing interest. In the U.S.A., co-operative housing has had the



stimulus of a Federal Housing Programme with special provision made in it for co-operative participation. Co-operative housing is gaining ground in a number of South American and Caribbean countries.

#### Co-operative Building Societies

402. Building societies have existed for many years, notably in the United Kingdom and Australia. They do not, in fact, undertake building but exist to finance the building or buying of houses by the population, and at the same time provide a convenient form of investment for anyone prepared to become a member and take up shares, even if he has no intention of building a house. In the United Kingdom one large organisation, the Co-operative Permanent Building Society, with over 500,000 members, is the only building society taking a recognised part in the co-operative movement, though there are in fact 360 other organisations registered under the same Act. All of these, together with the Co-operative Permanent Building Society, are members of a national federation, the Building Societies Association. These societies are entirely self-financing and receive no support from the government. They help members to acquire individual houses or flats of their own choosing, and do not sponsor planned housing projects.

403. In Australia there are nearly 2,000 building and housing societies. Most would appear to be building societies on the British plan, that is, occupied mainly with finance, but some undoubtedly take responsibility for actual building and in New South Wales (Australia) at least, there is a tendency to set up societies in pairs, one to undertake actual construction and the other to finance the transfer of the complete houses to members. Some of these have been formed by recent immigrants from Britain and other countries. In certain cases the settlers have undertaken the physical work of building their own houses. Australian building societies are financed partly by their members, partly by loans from banks and insurance companies, and to a considerable extent by long-term government loans and guarantees.

404. There are co-operative building societies providing finance for house building in Asia. In particular, in India where they receive considerable government help in guarantees and loans. Their activities are mainly confined to lending, on long term, to villagers who want to build houses or to repair them.

#### Co-operative Housing Societies

405. This term is used to describe the great majority of co-operatives concerned with housing, in which the society is formed by a group of people who wish to provide themselves with housing, either in a block of flats or groups of one or two-family houses, and are prepared to place responsibility for the whole enterprise in the hands of a co-operative created for the purpose. Once the houses are built, however, the society may proceed in one of several ways. It may sell the completed houses to its members and wind up its affairs; it may retain control over a period of 20 years or more, while members pay off the cost of building and maintenance, by means of regular payments; or finally, it may remain in being indefinitely and the members may remain permanent tenants, paying a regular rent.

406. Some societies merely provide houses or blocks of flats, with the minimum services of domestic light, water and sewage. Others may go much further. The well-known and long-established Warsaw Housing Co-operative, with 8,000 members has built a number of settlements, each housing several thousand people, and has provided, in addition to the usual services, neighbourhood heating, shops, laundries, kindergartens, crèches, libraries, health centres and children's playgrounds. Some of the Indian co-operative housing projects take the form of a co-operative township, where land is purchased, streets laid out, water supply and lighting provided, a town hall, post office, schools, markets and a bank established. A similar project has been successful at Karachi, in Pakistan. In Israel the Shikun Building Society, in addition to constructing housing estates, has endeavoured to keep up the co-operative character by the introduction of various co-operative institutions and services such as consumer co-operatives, communal restaurants and cultural activities.

407. The members of housing co-operatives are usually either manual workers in the better paid categories or office workers and middle class people of modest means. In some countries, e.g. Norway, special provision is made for the in-

clusion in many housing societies of a proportion of large families who cannot otherwise secure accommodation and of solitary, old, but still able-bodied people. The proportion of new housing in all these categories for which co-operative societies are currently responsible is not always easy to isolate, as some official statistics lump together all "public utility" or non-profit housing, and do not distinguish co-operatives from other groups with similar objectives. The proportion, would, however, seem to be about 25 per cent. in Sweden, 30 per cent. in Germany, 30 per cent. to 40 per cent. in Poland and probably about 60 per cent. in Norway. Other European countries vary, and the proportion is very much smaller in other continents, with the possible exception of Australia.

#### Finance

408. Members are expected to take up shares on joining a housing society. They are in most cases all expected to make savings deposits either in the society or in a special savings bank established by housing societies on a national or regional basis. No building is begun until a member's contribution has reached a stipulated minimum proportion of the total cost of the house or flat to be built for his use. This minimum may be as low as 6 per cent. (Denmark, Germany), but is more likely to be 10 per cent. (France, India), 15 per cent. (Poland), 17 per cent. to 21 per cent. (Norway) or 40 per cent. (Czechoslovakia) part of which may be contributed in labour. In some countries part of the member's contribution may be met by his employer, especially where large and rapidly growing industries wish to provide accommodation for their employees. This procedure is adopted by state industries in Poland and by private employers in Germany. In Czechoslovakia loans are made to individuals from the State savings banks or from workers' funds on the recommendation of trade unions. In India, industrial workers are allowed to draw non-repayable loans from their provident fund accounts for this purpose. In middle class housing co-operatives in India, the member is generally expected to meet 20 per cent. of the cost.

409. The remainder of the cost is, in the great majority of cases, borrowed, though in a few countries subsidies are also available for special types of housing. The most important source of loan capital is usually the State, in some countries together with municipal or regional governments. The State may provide from 40 per cent. to 90 per cent. of the capital required. Loans may be made direct, as in Germany, Bulgaria, Poland, Hong Kong and parts of South America; from a national savings bank on government guarantee (Australia, France); through a national mortgage bank (Turkey); a governmental house building corporation (Pakistan); or through a special housing bank (Norway), financed by a government grant used as a reserve, and the sale of government guaranteed bonds to the public. Loans of this character are, made at long term (from 25 - 65 years) and at low rates of interest; even in some countries, and for an initial period, at no interest at all. They are usually secured by a mortgage on the building.

410. Where the basic government loan does not cover the capital required, other sources of finance must be found. The Housing Bank in Norway makes a basic loan up to 70 per cent. of the need, but is prepared to make an additional "support" loan of 17 per cent. where necessary. In Germany, where public funds do not cover more than about 40 per cent. of the need, housing co-operatives also borrow from the private capital market on first and second mortgage, as well as from employers. In France, housing co-operatives may also borrow from savings banks, from the Central Co-operative Credit Bank and from the Family Allowances Fund, which may also make outright grants. In Spain, housing societies, which number over 600, can borrow from the National Institute of Housing and State and local governments. In some states in India, Housing Finance Societies have been formed, of which the members are housing societies, other co-operatives, commercial banks and insurance companies. In some countries Workers' Banks, owned by consumers' co-operatives and trade unions are also prepared to lend to housing co-operatives. Sometimes, as in Chile, there are limited funds made available by the Thrift and Credit Societies.

411. All loans are paid off by members in instalments over a long period. This repayment, in the case of societies where members are its tenants, may be included in a rent which covers management fees, annual repayment of 1 per cent. of the loan, interest on the amount still outstanding, and exterior maintenance of the building. As interest payments are higher in the earlier years, while the cost of maintenance tends to rise as the building ages, the level of payment usually remains unchanged until the loan has been repaid in full.

412. Members in, for example, the Scandinavian countries, wishing or obliged to leave their dwellings, receive back their down payments minus the cost of any internal repairs which may be necessary, the value of which is assessed by a committee of the other members. Repayment of loans is treated as rent and is not repayable. In the case of all schemes in which the co-operative continues to own the property after the debt has been repaid, the position of the member tenant who wishes to leave is the same. Where ownership is transferred to the tenant on the full discharge of the loan, he is then at liberty to dispose of his dwelling in any way he wishes.

#### Organisation and Management

413. This may be quite complicated, as it is often found desirable to divide responsibility between local and national organisations. In Norway, for example, although a limited number of local housing societies had existed for many years, the position was transformed by the formation in 1946 of the Norwegian National Building Federation (N.B.B.L.) at a time when the government was prepared to give active support to rehousing. N.B.B.L. is controlled by its member societies through a congress which meets every three years and elects a board of directors and a board of representatives. Its main objects are co-ordination and advice, systematisation of methods, organisation of new housing societies and representation of the movement to government and the public.

414. Housing Societies (known as B.B.L.s) are formed in towns or industrial areas where there is likely to be a continuous need for new housing. People looking for a home become members of their local B.B.L., take up a share and open savings accounts. When there are enough members, the B.B.L. draws up a preliminary building plan and negotiates a loan. Once the project is approved and building has begun the B.B.L. forms a subsidiary or "daughter" society consisting of those members whose turn it is to receive a house or flat. In most cases neither the local B.B.L. nor N.B.B.L. undertakes actual building, though N.B.B.L.'s architects' department may draw up the plans or inspect plans drawn by independent architects.

415. Once the project is completed and the building account closed, the members of the "daughter" society take possession, elect their own managing committee and are thereafter responsible for the use of the building, the conduct of members and the repayment of loans and collection of rents. They usually, however, delegate the business management of the undertaking to the B.B.L. In small towns and rural areas, where the demand for housing can be satisfied by a single project, the intermediate society (the B.B.L.) may be omitted and a local house-owners' society may be directly affiliated to N.B.B.L.

416. The system of "parent" and "daughter" societies was adopted as a means of securing continuity and benefitting by accumulated experience. It had been found that where a single co-operative was formed to build houses and afterwards administer the property, members who had received a dwelling tended to lose interest and be unwilling to face further risks. The "parent" and "daughter" system balances the interest of those who have received houses and those who are still awaiting them. The latter always have a majority on the board of the parent society, so that the emphasis is on expansion and new construction. The daughter society sees to the interests of established householders.

417. This system is also used in Sweden by the Tenants Savings and Buildings Society (H.S.B.) and by the H.A.K.A. group of housing co-operatives in Finland. The latter are closely associated with the Progressive (K.K.) Consumers' Co-operative movement which is represented both in national and regional or town "parent" organisations but not in the "daughter" societies. In Denmark a similar system exists. There also is a special society, Arbejderbo, set up on the initiative of the Federation of Housing Co-operatives, the Federation of Danish Trade Unions and the Labour Movement Economical Council, to help in the establishment of new housing societies and to provide technical advice, and where necessary finance.

#### National Organisations

418. In other countries the system is less closely knit, though there is often some form of central organisation. In Germany there are nine regional auditing unions, and co-operative and other non-profit housing enterprises are affiliated. These in turn make up the Central Union of Public Utility Housing

enterprises, which also include the ten official provincial housing authorities known as "Heimstetten", which watch over the application of the state housing policy, supervise the activities of the housing organisations and do some building on their own account. The union has four main departments dealing respectively with (a) legal, technical and administrative subjects, economics and statistics; (b) house management; (c) finance; and (d) public relations. In Austria there is a single audit union, the Union of Public Utility, Building, Housing and Settlement Societies. In Switzerland there are three. In France, the long-established Low Cost Housing Association includes housing co-operatives as well as joint stock companies and local governing bodies in its membership. The housing co-operatives also have their own national union. Housing, as distinct from building (finance) societies, are a new development in the United Kingdom, but the 200 existing societies have recently formed a national federation. In both Sweden and Denmark the housing movement has moved into the field of wholesaling and production. B.O.L.I.N.D. (Denmark) is an organisation for the wholesale supply and production of building materials to meet the requirements of local housing societies. The H.S.B. movement of Sweden owns its own joinery and carpentry works, marble quarry, brick yards and a pipe factory, all of which ensure high quality material at low cost.

419. The Polish societies have their own national union, with provincial branches, which represent the societies in legal matters and in relations with the public authorities, supervises them in carrying out their statutory obligations, and carries on research in building and housing. They have also established the Social Building Enterprise, with a membership of housing societies and central co-operative organisations, the functions of which are the execution of building projects and repairs; the organisation and management of enterprises producing building materials, including prefabricated units; the supply of building materials; the provision of transport, machinery and building equipment and the drawing-up of plans and specifications. The Czechoslovakian housing co-operatives are directly affiliated to the Central Co-operative Council but have not, to date, established their own unions and federations. In Bulgaria the activities of such societies are under the control and direction of National Economic Councils which are state, not co-operative, organisations.

420. In the United States, although co-operative housing is still at an early stage of development, it is being encouraged by several sponsoring bodies, of which the existing societies are members. These include the United Housing Foundation, which consists of trade unions interested in co-operative housing, some civic groups, and a large number of the existing non-profit housing co-operatives. It has a subsidiary, Community Services Inc., which is developing the purchase of supplies. The Foundation for Co-operatives Housing consists of individuals interested in promoting co-operative housing, and has a subsidiary supplying technical services. The Co-operative League of America also promotes co-operative housing. There is a federation of housing co-operatives in Quebec. These housing co-operatives work closely with other types of co-operative, and are largely financed by people's banks and co-operative insurance organisations. In Ontario, actual house building is usually undertaken by a special branch of United Co-operatives of Ontario, and there have been similar developments in the Prairie Provinces.

421. In South America the Inter-American Housing Institute promotes co-operative housing but though the movement has made substantial progress in the Argentine, Chile, Colombia and Peru housing co-operatives in these countries have not established their own federations. In Chile a special society, S.O.D.I.M.A.C. has been registered for the common purchase of building material. Some of the Argentine societies are closely linked with the old established El Hogar Obrero which form the first combined housing, consumer and credit co-operation. Housing societies in the Caribbean are not yet numerous enough to have formed national organisations and the same is true of Africa. In Australia there is a Federation of Housing Co-operatives in Victoria.

422. In Asia, there is little federation of housing co-operatives, apart from the five central housing finance societies of India. The majority of housing co-operatives in Israel are affiliated to the Histadrut (the Confederation of Jewish Labour) which plays the part of a general co-operative union.

#### Co-operative House Building

423. It will be noted that in all the societies described above, the co-operative has been responsible for finance, organisation and management schemes,

but has not, as a rule, undertaken actual building, though in a few countries a national subsidiary organisation has been set up to provide materials and sometimes equipment, and an architects' department is often included in the national federation.

424. There are also co-operatives of working builders, described in paragraph 359. These may accept contracts from housing societies and have in fact played an important part in, for example, Italy where they have been responsible for building many of the new industrial suburbs of Rome, Turin and Milan.

425. Finally, there is the co-operative which helps members to build their own houses. This may be done merely by making loans for building materials which in tropical countries can be of the simplest character, but in some countries of Northern Europe, and in Canada, where construction is in timber and lends itself to prefabrication of standard parts, housing of a more sophisticated character has been made possible by a co-operative facilitating credits, delivering the materials and providing technical advice in the building, which is carried out by the member and his family. The system has not spread to many countries but it seems to offer possibilities, especially in tropical countries, where demand for improved housing is increasing and a light type of construction is appropriate to the climate.

426. At the international level an auxiliary committee has been set up by the International Co-operative Alliance. This committee has arranged a joint conference of technical experts to compare notes on building systems being used to provide housing in various countries.

## Chapter 7

### Co-operative Education and Co-operation for Social Purposes

#### Education and Training

427. The co-operative movement has always regarded education as one of its basic aims and the promotion of education figures among the original Rochdale principles. Most co-operatives make regular allocations of surplus to education purposes. In many countries of Eastern Europe including the U.S.S.R., such allocations are compulsory. (Though the fund thus created there may cover not only education and training but include also contributions to central co-operative or other funds for social and economic development.) Funds for educational purposes may be used either locally or through the national co-operative union for formal education by the endowment of co-operative colleges and institutes; otherwise to provide evening classes, correspondence courses and weekend and holiday schools. In addition the funds may be used to finance special organisations of a vaguely educational character for housewives and young people, to provide recreation and cultural activities for members and staff, to produce co-operative journals and other forms of publicity and public relations likely to increase interest in the co-operative movement.

428. In the countries of developed modern economies the rise in standard of general education facilities has been so marked as to reduce considerably the demands by co-operative members for education of a general nature. Co-operative education of members in such countries tends to take the more specialised form of public relations (popular lectures, film shows, demonstration of products, visits to co-operative factories). Some movements have women's guilds (see paragraph 434), while elsewhere practical courses in cookery, dressmaking and the like are organised. The best method of educating the ordinary member seems to be through the general meeting provided such a meeting is made sufficiently attractive to induce the members to attend and sufficiently informative to send them home with a clearer understanding of co-operation than they had when they came.

429. The education of committees presents special problems. The members of committees should be well informed on the aims and functions and powers of the co-operative they control. The difficulty is that either the committeeman is usually so often fully occupied in his farm, workshop or other place of employment, or that he may be elderly. In some of the developing countries all but a minority of the committeemen may be illiterate.

430. The education of committees is usually attempted by conferences rather than by schools. Handbooks for committeemen may be prepared and circulated. In some countries there are national co-operative newspapers or periodicals which are circulated free to committees (sometimes to all the members).

431. The training of staffs has been in progress for many years and has become increasingly important partly because every aspect of administration and management is becoming more complex and professional and partly because leadership in the co-operative movement is tending to pass from the committees to the professional full-time workers in the movement. Staff training takes many forms. The traditional correspondence course continues and will include practical studies like bookkeeping, and other subjects as the meaning and principles of co-operation together with those designed for the general education and self-improvement of the student. An alternative form of education is provided by evening or day release classes. Certificates may be granted for successful completion of such courses and are often a condition of promotion in co-operative movements. Some co-operatives arrange for the simultaneous release for one or two days of the entire staff of a branch in order that they may be instructed in modern methods.

432. In many countries with highly-developed co-operative movements, national unions representing the movement as a whole or some branch or branches of it run schools, colleges or institutes for the training of their staff. In a few countries (for example, Finland), staff training is carried on by the specialised co-operative federations or by colleges run by the consumer movement, for example in the U.K. In some cases, the emphasis will be on managerial and secretarial education, in others the education will be more technical and specialist in character. In those Eastern European countries with extensive co-operative organisations there are well-developed national systems of co-operative

education, as, for example, in the U.S.S.R. where there are three schools for the higher co-operative training for senior executive staff and numerous vocational schools for training technicians in foodstuffs and manufactured goods produced or distributed by co-operatives. In some countries, mostly those with a pre-dominantly agricultural movement, co-operation is taught in the primary schools. Courses in co-operation in the agricultural or economics department of universities may be even more valuable as they serve to direct young trained minds to the possibility of a career in the co-operative movement and thus contribute to the pretraining and even the preselection of staff.

433. In developing countries co-operative education for staff on the more technical level may be carried on in schools maintained by the departments of co-operative development. They may be used in the first place to train junior officials, inspectors and auditors employed by the department, but tend more and more to provide also instruction for senior staff of co-operative unions and banks. This departmental function is recognised as a temporary one until such time as a national union may be strong and wealthy enough to take over. Other facilities for training staff from the developing countries are provided by colleges, university departments or co-operative organisations in many of the countries of Europe, and also in the U.S.A. Educational opportunities are also provided in the form of seminars organised by specialised agencies of the United Nations, as, for example, the annual seminar held in Denmark in conjunction with the International Labour Office and the Food and Agricultural Organisation at which co-operative, representatives from all over the world have been given the opportunity of studying the Danish co-operative movement, by international co-operative organisations or by such an organisation as the Hevrat Ovdim in Israel, which held a seminar on co-operation for Asian and African countries to demonstrate the value of the co-operative experience in Israel and of the co-operative institutions that have been established there. An Education Centre for South-east Asia, set up by the International Co-operative Alliance (see paragraph 454) and inaugurated in 1960, has provided assistance to the co-operative movement in South-east Asia in the fields of co-operative education and training. An advisory committee composed of co-operative education specialists from the region assists the Director of the Centre in the planning of the annual working programme. The International Co-operative Alliance Technical Assistance Subcommittee is responsible for the administration of the Centre, while the major part of its operations is financed through a contribution from the Swedish Consumer Movement (K.F.).

#### Educational Services

434. In some countries co-operative education has taken on its own institutional forms.

##### (1) Co-operative Schools and Colleges

These are usually incorporated bodies of which the members are other co-operative organisations.

##### (2) Co-operative Publishing Establishments

These may be attached to co-operative movements for economic purposes, but may have a separate constitution and governing body. They are not necessarily limited to the publication of books promoting co-operation, or even to books and newspapers. The Japanese Ie-No-Hikari, for example, also carries out cultural projects in villages, runs short courses and an information service, mainly on social subjects, and produces films, gramophone records and tape recordings.

##### (3) Co-operative Research Institutes

Many co-operatives have technical or market research departments, and there are some autonomous research institutes engaged in the study of the co-operative movement at an academic level. In some countries, as Western Germany, co-operative research institutes are attached to certain universities and their work contributes to the formation of policy on the co-operative movement. In the U.S.S.R. Centro Soyus has set up a central institute for co-operative research. In Denmark there are extensive research facilities operated by central agricultural co-operatives that pass on in practical form data of use to the farmer member.

#### (4) Co-operative Women's Guilds

These originated in the British consumers' movement and spread to other countries, especially, but not exclusively, in Europe. Some are controlled by a department of a national co-operative union, but others are autonomous. They work either through local guilds or through branches, the members of which are co-operative members or the wives of members. They meet for educational and recreational purposes and in many consumers' movements have played a leading part in arousing lively interest among members in their co-operatives and in securing the election of women to co-operative committees. They also provided in the past a valuable general education for women whose schooling had come to an end at the age of 14. The autonomous co-operative women's organisation is less frequently met with in the agricultural or fishery movements, though some agricultural co-operatives (especially in North America) take considerable pains to welcome women and find a place for them in the organisation.

#### (5) Co-operative Youth Movements

These have been organised in both the consumers' and agricultural movements. They offer a measure of general, as well as co-operative, education and aim at building up a future membership and future leadership for the co-operative movement, with a full appreciation of its aims and opportunities. Such organisations usually work under the auspices of a national co-operative organisation.

#### (6) Co-operative Schools

In a few regions in which, because they are remote or for some other reason, publicly-maintained primary schools for children are not available, they have been established by a co-operative, of which local people, usually in the main parents, form the membership. As public education spreads, they tend to be absorbed into the general education system.

#### (7) School Co-operatives

These are co-operatives formed by school children and sometimes by university students. They may not be legally incorporated, as it is usually illegal to form a co-operative the members of which are minors, or below a stated age (16 to 18). Their object may be thrift (numerous and successful school co-operatives for this purpose exist in Cyprus and Mauritius) or for the purchase of school books and equipment (Greece, Brazil and other countries), the running of canteens (usually by students) or even for small money-raising projects such as the cultivation of school gardens and the sale of the produce. In the case of thrift societies, savings are usually reinvested in a local co-operative credit society. All these co-operatives fulfil a useful purpose, and they also give young people an opportunity to learn how to run a democratic institution, to manage a very simple business undertaking, and to learn something about the co-operative movement.

#### Co-operation for Social Purposes

435. Several of the services mentioned in the preceding paragraphs are partly social in nature. We have seen in paragraph 66 how co-operative movements of various kinds provide other social services such as funeral furnishing, holiday centres, convalescent homes and the like. There are also a certain number of societies which have been formed expressly for the purposes of giving a social rather than an economic service. They do not exist in all countries and are naturally less often found in those with advanced social services provided by public authorities. In fact some countries which at one time provided such services co-operatively (for example, co-operative libraries in the United Kingdom, or co-operative health societies in Yugoslavia) have ceased to do so now that the public authorities have taken over this responsibility.

#### Health and Medical Services

436. There are a limited number of co-operative hospitals in the United States which have been in existence for a number of years. There is at least one co-operative hospital in Australia. In Poland there are about 100 health co-operatives attached to the agricultural movement. Their main object is to secure the services of a doctor in the village, for whom they provide a salary, house, surgery and motor bicycle.



437. The main development of health co-operation today is, however, in Asia. In Japan, some 5,773 agricultural co-operatives make some provision for medical services, generally through the formation of welfare federations, now established in 22 prefectures. There are also some federations on a county scale, and nine hospitals and over 100 clinics are still managed by town or village co-operatives. The welfare federations provide medical facilities on quite an impressive scale, with 137 hospitals, 80 clinics, over 1,000 doctors and a total of 1,250,000 patients in the course of the year. The welfare federations are legally recognised as public medical facilities. They receive official subsidies for the provision of T.B. beds, and prefectural authorities also give subsidies and long-term loans and reduce rates in their favour. Management is in the hands of the federations; the primary agricultural co-operatives supply the funds and the patients. Not all the federations cover their costs of administration from the fees, which are deliberately fixed at a low figure, and those which do not, are subsidised by the sponsoring co-operative.

438. Welfare federations are affiliated to a National Welfare Federation of Agricultural Co-operatives, which acts in a general advisory capacity and is a means of contact with the public authorities. Also affiliated to the Federation is the Japanese Village Medical Academy, of which the members are the doctors employed by the Federations and others interested in village health. It carries on research of various kinds, made possible by membership fees and subsidies from the Ministry of Agriculture and Forestry.

439. India had at one time a number of anti-malarial societies, which are no longer active. In the Punjab there are, however, 120 medical aid and public health societies of which the members are farmers. They work for the provision of medical aid in villages, the prevention of epidemics and the introduction of better sanitation. Similar societies exist in smaller numbers in Bombay and in Pakistan. In Ceylon there are 11 medical co-operatives, most of which run their own hospitals, some on a fairly large scale.

440. The co-operative maternity centres of Eastern Nigeria had considerable success for a time, but most have now been handed over to the public authorities. The main obstacles to their continued existence as co-operative undertakings were (a) it was difficult to retain the interest and subscriptions of those who were not expecting to make use of the centres (i.e. the basis of the society was not broad enough to bring in the whole village); and (b) the fees which could be charged to the average village mother were not high enough to provide a standard of treatment and accommodation which would satisfy the medical authorities. In some countries of tropical Africa dispensaries have been built by self-help co-operative effort of villages but have been stocked, staffed and run by the local authority.

441. A rather different but interesting form of co-operation in medical services is recorded from Germany where there is a national wholesale organisation with 11 branches, the members of which are hospitals, old people's homes and similar institutions. It buys supplies on their behalf and also gives courses of instruction in hospital dietetics, and other subjects.

#### 442. Other Services

##### Food Preparation

As noted in paragraph 239 some agricultural co-operatives in Asia render milling services to their members. In some cases separate co-operatives have been formed to operate simple mechanical grain mills or hullers which save the women of the village the tedious labour of grinding, hulling or pounding by hand. In more technically advanced communities, small co-operative canning plants, for members' home-grown fruit and vegetables, provide a ready means of preservation. Co-operative cold-store lockers, usually for raw meat from home-killed livestock, are found in the U.S.A. and some European countries.

##### Laundries

These may be in the form of co-operatively-rendered services by consumer and other co-operatives. However, in recent years specific laundry co-operatives have been established with a membership of householders anxious to make use of their services.

### Community Development

"Better Living" co-operatives in the past made a substantial contribution to village life particularly through the reform of village customs, such as heavy expenses on ceremonials. They also improved sanitation and water supplies and did something for general appearance and amenities. Their place in India has, however, now been taken by "community development" fostered by government, with the village panchayat (council), the village school and the co-operative societies as its agents. Action covers roads, water supplies, dispensaries, schools, maternity and child welfare, improvement in agriculture and local industry. There are similar developments in Pakistan and other Asian countries. They receive a considerable financial and technical aid from government and cover a wider field than would be possible for a voluntary unassisted co-operative. Community development often government initiated through co-operative "self-help schemes", is becoming of increasing importance in some parts of tropical Africa.

443. Co-operative community services exist in other continents. In Australia, for instance, there are a considerable number of co-operative community settlements, community advancement halls, centres and clubs. In many countries there are recreation centres, theatres and clubs for cultural purposes organised co-operatively.

### Conclusion

444. Broadly speaking, it would be probably true to say that while all co-operation has an implicit social purpose, co-operatives actually formed for specifically social ends, tend either to be temporary expedients pending the development or extension of public services or they carry on useful but subsidiary services. In a few countries, however, what may be temporary services remain important over a considerable period, while the subsidiary purposes may be of great practical value to those who depend on them.

## Chapter 8

### Intergo-operative Relations

#### Definition

445. In most countries there are co-operatives of more than one type, and since they all have similar systems of operation and basically the same ideals, it is natural to expect that mutual relationship will develop and will, at least to some extent, be expressed in formal organisation. Beyond the national boundaries interco-operative relations between co-operatives in different countries are developing throughout the world in various forms and organisations.

446. Interco-operative relationships are likely to be of two kinds - (a) practical business relations taking the form of intertrading, investment and reinsurance, and (b) association based on common principles and working for the general recognition, extension and defence of co-operative principles of interest.

#### Interco-operative Business Relations

447. These are not in practice always as important as might be expected in view of the part played, for example by the consumers' movement in buying and the agricultural co-operatives in selling farm produce. In fact, a good deal of co-operatively marketed produce does pass either directly or indirectly to the consumers' movement in the same or another country. As we have seen, of course, in the U.S.S.R. and other countries of Eastern Europe, the consumer movement as part of its role under the state system, procures produce from co-operative collective farms. Elsewhere, however, interco-operative link-up may be little more than an accident of the marketing situation. In some countries an attempt has been made to impress on co-operative buyers the desirability of obtaining supplies from co-operative sources. Mutual agreement and (more rarely) firm contracts have been concluded and in a few cases joint selling organisations have been set up. Of these the best known is probably the New Zealand Produce Association with the British co-operative wholesale societies and an association of New Zealand dairy co-operatives as the sole members.

448. Trade contacts exist on a large scale in Eastern Europe and on a small scale elsewhere between consumers' co-operatives and workers' productive or fishery co-operatives, and there has been some joint investment in productive enterprises. Some housing co-operatives are linked with consumer co-operatives for the supply of furniture and fittings. Reinsurance arrangements are fairly frequent, both in the national and international field, and some national co-operative insurance co-operatives use primary co-operatives of more than one type as their agents. National co-operative banks may be set up to handle the accounts of more than one type of co-operative (as, for example, in Japan and Tanganyika), or a bank set up by one group (e.g. the Co-operative Wholesale Society's Bank in England) may undertake business for other types of co-operatives or set up a joint financial institution with them.

#### Interco-operative Advisory Bodies

449. In a number of Asian, African and some Central and South American countries where co-operation owed much of its initial development to government sponsorship, the formation of national as distinct from regional unions for advisory, supervisory and representational purposes was often deferred mainly because these functions were already being performed by a co-operative department of the Government, but also in some cases because the distances were so great and communications so poor as to place considerable obstacles in the way of a democratically run national body. The position has changed in the last few years and many such countries now have their national organisations which usually include co-operatives of every type without distinction.

450. In Europe as well as in some of the more economically developed countries of other continents, often the pattern of development has tended to be towards the building up of strong national federations for each form of

co-operation. In some countries such functional unions remain unco-ordinated, and if they come together at all, it is usually for some specific purpose such as a change in the law affecting co-operatives which does not involve continuous collaboration. There are, however, a number of countries in which there is a permanent co-ordinating body of which all the functional national unions are members. In several of the Eastern European countries, for example, all inclusive central co-operative councils are becoming the rule. Some countries have a council or joint committee that has members, functional unions and other co-operative organisations to represent the movement as a whole in its dealings with government, for carrying on co-operative propaganda and for other purposes of common interest.

451. In France the Higher Council of Co-operation was established officially by decree in 1959. Its objects are to study questions relating to co-operation, promote co-operative development and establish contacts between co-operatives of different types. It includes official representatives, as well as those of the industrial, agricultural, traders', artisans', consumers' and housing co-operatives, and of the People's Credit and Mutual Maritime Banks. It works through four standing sections, dealing respectively with legal, fiscal, overseas and general economic and policy questions.

452. Co-operative movements of countries in regional trade blocks have set up committees to study problems common to them all (for example, the European Free Trade Area, Common Market countries) and to watch over the interest of co-operation in such areas.

453. Several international co-operative organisations exist of which some of those with limited economic objectives have already been cited (as the International Co-operative Petroleum Association (see paragraph 85); the Scandinavian Co-operative Wholesale Society (see paragraph 85); the New Zealand Produce Loans Association Limited (see paragraph 85); the International Agricultural Society (see paragraph 195); and the International Federation of Popular Credit (see paragraph 391)). Of those with wider scope the latest is the Organisation of Co-operatives of America (O.C.A.), which has as its members co-operative organisations from 16 countries in North, South and Central America. The objectives are dissemination of co-operative information, technical assistance for members, social and cultural interchange and the unification in several countries of laws affecting co-operatives. Associated with O.C.A. will be the Interco-operative Finance Institute to aid the foundation of national co-operative finance institutes and to improve technical standards, accounting and auditing. Two other international organisations, the European Confederation of Agriculture and the International Federation of Agricultural Producers include a large number of agricultural co-operatives among their members. The I.F.A.P. has a co-operative committee and the E.C.A. a co-operative commission, both of which organise special meetings often of a technical character. Certain other more official bodies, as for example the Arab League, have provided opportunities for regional co-operative consultation.

454. The International Co-operative Alliance is the oldest and largest international co-operative organisation and the only one which is completely comprehensive, both geographically and as regards types of co-operative included in its membership. It was founded in 1896. In 1961 it had a membership of 53 national co-operative organisations representing over 530,000 primary co-operatives and over 174 million individual members. Of these, 79 million are members of consumers' societies, 50 million of credit societies, largely agricultural, and 24 million of other agricultural societies. A great majority of consumer movements throughout the world are affiliated to the Alliance, but not all agricultural movements, although the number of agricultural members has increased fairly rapidly in recent years. The Alliance is governed by a triennial congress held on each occasion in a different country, a central committee which meets annually and an executive.

The main activities of the Alliance are:

- (a) exchange of information leading to joint operations carried on between co-operative organisations in different countries, through auxiliary committees specialising in insurance, banking, industrial production, commodity distribution, wholesaling, agricultural services and housing;

- (b) collection and publication of co-operative statistics; news services; publication of reports, directories and a monthly review;
- (c) economic research and publication;
- (d) maintenance of an annual International Co-operative School (since 1921);
- (e) international technical conferences for co-operative specialists on documentation, library organisation, films, publicity and advertising;
- (f) consultative relations with the United Nations Economic and Social Council and the specialised agencies;
- (g) technical assistance to the less developed co-operative organisations through advice, scholarships and provision of educational equipment (see paragraph 433).

## Chapter 9

### Co-operation and International Aid

455. In recent years the promotion of co-operation, especially in developing countries, has been included among the aims of several of the specialised agencies of the United Nations, of a number of national governments, and of some private foundations with international objectives. National co-operative movements in countries where co-operation is in an advanced state of development, have come to feel a duty to give practical aid to those whose development is at an early stage.

456. Several countries, through their government and/or their national co-operative movement, have set up institutions directly concerned with the development of co-operation overseas. Examples of such are the Institute of Co-operative Action in France and the Foundation for Developing Countries in West Germany. Private foundations for the same purpose include the Nuffield Foundation (U.K.) and the Ford Foundation (U.S.A.). Many countries in Europe have arranged visits of co-operators from developing countries for seminars and tours of co-operative institutions of the host country. Some countries appear to have concentrated aid and mutual contacts on one particular country as, for example, Switzerland on Dahomey, Czechoslovakia on Ghana. French and British aid tends to go principally, but not exclusively to countries associated with the French Union and the British Commonwealth where in any case community of language makes contact easier. American interest is particularly strong in South America and the Caribbean though it has extended (partly through the Ford Foundation) to India and the Middle East, and through the Credit Unions in the South Pacific.

457. Several international interco-operative or other organisations concern themselves with technical assistance in co-operation in the developing countries. These include the South Pacific Commission, the Organisation of Co-operatives of America and the International Co-operative Alliance. The specialised agencies of the United Nations - as the International Labour Office and the Food and Agriculture Organisation - provide technical assistance either by direct recruitment or in collaboration with national governments and co-operative movements by obtaining the release of experts for short-term assignments to developing countries.

458. Technical Assistance. This term, which came into use first through the specialised agencies of the United Nations, but was later adopted by other organisations interested in promoting economic and social development, covers two rather different activities: (i) the provision of funds or equipment in order to make possible specific co-operative undertakings (e.g. with pasteurising plant in India, fish canneries in Ceylon, film projectors and other educational material in a number of countries; and (ii) the appointment, for long or short periods, of expert advisers or temporary high level staff, to see that these or other co-operative undertakings are successfully launched, and to train competent local successors.

459. Few countries have any objection to receiving gifts under (i), but the resources from which they can be provided are in fact somewhat limited. This is perhaps not a wholly bad thing, since the basic principle of co-operation is that it is a movement of self-help and mutual help, and that the gift of an installation far beyond the power of co-operative members to acquire on their own might lead to a certain irresponsibility in its use, and its maintenance and eventual replacement might constitute an unwelcome financial burden on the recipient. Projects of this kind require not only careful preliminary study, which the donors may be able to give, but expert follow-up to see that full value is extracted from the initial outlay, the plant kept running to capacity, proper provision made for depreciation and renewal, adequate technical management permanently secured, provision made for marketing the product, and the full and fair distribution of profits.

460. The supply of advisers, technicians and other temporary personnel, raises a number of difficulties, which have not been fully solved. Advisers must obviously be men of high technical qualifications; their work in a developing country will be more testing than in the same field in their own countries, if only because they will be alone, unable to call on the support and advice of professional colleagues, and facing what are, for them, strange conditions,

calling for a great deal of adaptability and improvisation. They must also be sympathetic to peoples whose ways and thoughts are unlike their own. In some cases they may only, of course, act in an advisory capacity. Co-operative technicians may work as independent units, or as part of a team working for some composite programme such as community development.

461. Many such posts are filled by older men, who have already concluded one career, because of the short duration of the appointments, and because of the professional experience required. There is, however, a very useful tendency to persuade co-operatives, in countries where the movement is well developed, to release men from senior positions for service overseas, and to reabsorb them without loss of seniority when their mission expires. This might seem ideal were it not that the experience of the European countries most ready to spare staff does not always coincide with the needs of countries overseas. The United Kingdom, for example, could probably provide managers of consumers' co-operatives in considerable numbers, but the numbers needed are small in comparison with those for men with agricultural, fisheries or banking qualifications. Unfortunately, the citizens of many countries with admirable co-operative experience to offer, for example the Scandinavian countries or Germany, are not necessarily familiar even with the secondary language (usually English or French) of the country to which they could be appointed.

462. Loan of Experts. Experts are frequently loaned to governments in developing countries to make a general appraisal of a particular situation and to report to the government of the country they have visited and to the organisation by which they have been appointed. These experts are usually fully employed in their own country and their visits shorter than those of the technicians. Their reports may form the basis of requests for technical aid. They probably give confidence to the organisation about to meet the cost that the project is a sound one. Though the countries visited may often already have a clear idea of what kind of aid they require, the need for independent examination can often be necessary, especially where limited resources have to be apportioned between rival projects.

463. International Fellowships, are offered by specialised agencies of the United Nations, by national governments and by national or international co-operative organisations. Such fellowships give men of some seniority the opportunity to visit co-operative movements of other countries, to concentrate on their own specialities and to meet and converse with representative co-operators. The value of such fellowships is sometimes limited to the extent of the capacity of the fellow to absorb experience of movements and of conditions often very different from, and not always relevant to, those of his own country.

464. A somewhat different method of providing foreign experience is through the placing of co-operative staff as trainees. This may take place through an exchange of staffs (fairly common between co-operatives in Western Europe), or through the offer of traineeships without reciprocation, although not necessarily as a free gift (i.e. the trainee or his organisation may have to meet the expenses). This may be of great value, particularly when the host organisation is dealing with similar business in comparable conditions to that faced by the trainee at home.

465. International Seminars and Courses. There are a number of full-time residential co-operative colleges which accept students from other countries. Mention should be made in particular of the co-operative colleges of England and France, both of which offer specially designed courses for overseas students apart from those provided for co-operators from the home country. The Swedish co-operative movement runs seminars for co-operators of its own and of developing countries. Special courses are offered to foreign students in Israel, Czechoslovakia and the U.S.S.R. Individual foreign students are accepted by the co-operative colleges of a number of other countries, including those of India, Pakistan and Ceylon and the East African School of Co-operation. Some universities (e.g. the St. Francis Xavier University in Nova Scotia) offer co-operative courses to individuals.

466. Several short-term seminars (usually four to six weeks in duration) are carried on by the international agencies, especially the International Labour Organisation and the Food and Agriculture Organisation, either alone, in consultation with one another, or in conjunction with a national co-operative movement (e.g. the seminars held annually in Denmark since 1953),

or another international body (such as the Caribbean Commission). Other seminars are run by bodies such as the International Co-operative Alliance, the Institute for Developing Countries (in Germany) or the Plunkett Foundation (in Africa).

467. The longer courses have shown their worth over many years. They have the advantage of taking their students young and have trained many co-operative, and in some cases eventually national, leaders in the developing countries. Some of the short courses receive participants of the same kind, others are attended by more senior men, of the type who are also selected for fellowships.

468. Publications and Translations. The publication of co-operative books, pamphlets and periodicals is widespread, and ranges from senior academic analysis of the economic and philosophic character of co-operation to ephemeral flysheets addressed to the barely literate. Most of the serious books are descriptive and historical, dealing with one country or group of countries, or with a particular branch of co-operation, even with subjects as specialised as the marketing of a single commodity. More general works are published mainly (a) for the training of co-operative staffs, and (b) for the general information of people outside the co-operative movement concerned with public policy, economic planning and social welfare.

469. The United Nations, the International Labour Organisation, the Food and Agriculture Organisation, and the United Nations Educational, Scientific and Cultural Organisation have all published books on co-operation which are international in scope and have appeared in at least three languages. Occasional books have also been published by other intergovernmental bodies, like the Caribbean Commission and the Pan-American Union. The International Co-operative Alliance is mainly concerned with periodicals and reports, but has also published books in three languages. One of the main objects of the Plunkett Foundation (in the United Kingdom) is the publication of books on co-operation, most of them with international interest. Some, have been translated into languages other than English.

470. The International Co-operative Alliance and some specialised agencies of the United Nations have international film libraries. Films have been found useful in many countries for conveying the history and aims of co-operation, especially to illiterate audiences.

471. International mutual aid has always been a tradition of the co-operative movement and has indeed been the principal means of its extension to an ever widening range of countries. In the last 15 years such aid has taken on new and more complex forms, which have followed the intervention of governments, the change in relationships between European countries with co-operative experience and the overseas territories formerly dependent upon them, and the adoption of co-operative development as one of the objectives of international agencies.



## PART II. Role of Governments in Co-operation

### Chapter 1

#### Legislation

##### History of Co-operative Law

472. Legal provision for the formation and conduct of co-operative societies in Europe dates from the mid-nineteenth century. The first co-operative law, the British Industrial and Provident Societies Act, was passed in 1852, the first German (in fact Prussian) law in 1867 and the French Commercial Code was modified to provide for co-operative societies in the same year. The first Austrian law, which also covered Poland, Czechoslovakia and parts of Yugoslavia, was passed in 1873, the first Netherlands law in 1875, while the Commercial Code of several European countries was modified about the same time. Much of the legislation of this period, although frequently amended in detail, remains the basis of co-operative law to this day.

473. The first legal recognition of co-operation outside Europe appears to have been in 1890, when the United States Act, generally known as the Sherman Anti-Trust Law, specifically exempted co-operatives from some of its provisions. Before, and also for some time after this date, co-operatives in the United States, Canada, and some English-speaking countries elsewhere, were registered as companies and were only differentiated from them by the character of their rules.

474. The first introduction of co-operative legislation into Asia took place in Japan in 1900 and in India in 1904. These acts were based on the study of European, especially British and German, law. The Japanese law was subsequently extended with modifications to such countries as Korea and Formosa. The India Act has formed the basis of co-operative legislation in Germany, Ceylon, Malaya, Borneo and in countries in Africa, the Caribbean and the Middle East which are or have been part of the British Commonwealth.

475. During the first quarter of the twentieth century there was a considerable development in co-operative legislation. In Europe, several countries which had hitherto relied on special sections of their Commercial Code now introduced specific laws dealing either with co-operatives as a whole, or with co-operatives for special purposes. In the countries of North America (with federal constitutions) and in Australia, positive provision for the formation of co-operatives (as distinct from exemption from Anti-Trust laws) was taken up by state or provincial governments, and made rapid progress.

476. In the U.S.S.R. all existing co-operative law was superseded after the revolution, and two decrees, one on consumers' and the other on agricultural co-operation, were issued in 1924. The latter was in turn superseded by the Orders constituting collective farms in 1930. In other countries of Eastern Europe, decrees were issued introducing collective farms after the Second World War. In some, the basic co-operative law has remained unaltered; in others, e.g. Bulgaria, decrees have been issued relating to consumers' and industrial co-operatives and defining their position in the national state plan.

477. In Africa, the first co-operative law (referring to credit) was introduced in Algeria in 1894. Subsequent legislation in the territories under French administration was naturally influenced by French legal thinking but was adapted to local conditions. In South America the earliest law was probably that of the Argentine (1926) and the basic Mexican law was passed in 1927 having been preceded by a good deal of piecemeal legislation.

478. Several countries, including Greece and Indonesia, Czechoslovakia and other Eastern European countries, include a reference to co-operation in the national constitution. This may be because the co-operative movement has in the government's policy an assigned place in the development of the national economy or merely to ensure active government support for co-operation. The references to co-operation in the constitution of a new State have been particularly notable in the developing countries of Asia and Africa that have attained independence

since the Second World War, such as India, Indonesia and Tanganyika. It illustrates a considerable eagerness displayed by such countries to use co-operation as a major factor in economic development. Very few of such countries have, however, made any profound changes in the existing co-operative law.

479. The latest basic co-operative laws that have been passed for the first time have been in Haiti (1960), the Northwest Territories of Canada (1959), Northern Nigeria (1956) and Libya (1956).

#### Principal Types of Co-operative Law

480. All co-operatives are subject to the laws of the country in which they operate, but the relation in which they stand to the law may range all the way from a status in no way differentiated from that of other economic associations to a privileged and carefully-safeguarded position closely integrated with national economic development.

#### 481. Co-operatives without Special Legislation

In Denmark, co-operatives are primarily voluntary, unincorporated associations, and the rights and liabilities of members and their obligations to third parties rest upon the general law, especially the law of contract. Societies with any form of limited liability, dealing with non-members or distributing profit otherwise than as bonus on business done, must, however, be registered by the Registrar of Companies and placed on the Trade Register. This is almost universally done in the case of secondary societies and many of the larger primary societies, especially those fairly recently formed. In Norway, also, there is no general co-operative law; societies are included in the Commercial Register and must supply certain information to the Registrar.

482. In a few countries, as for example New Zealand, co-operatives are simply registered under the Companies' Act and it is for the members to draw up their own articles of association including as many safeguards for co-operative principles as they feel to be necessary. This has several disadvantages: unco-operative practices may be introduced in ignorance or by interested parties; there is little or no supervision of the conduct of the society; co-operatives being legally indistinguishable from other companies receive no fiscal or other encouragement. Several other countries, among them Spain, Sweden, France and the Netherlands, have followed similar procedures for many years, but in most of such countries the position has now been clarified by the passing of a general co-operative law.

#### Special Sections of Commercial Codes

483. This was the method chosen in the past in a number of countries (Belgium, Italy, Portugal and Switzerland, for example), and it sometimes offered an alternative mode of incorporation after a specific co-operative law had been introduced. Such a co-operative section might be more or less permissive, but it might also lay down fairly detailed provisions for the constitution and conduct of societies, which assured their co-operative character as effectively and provided a status as advantageous as that conferred by specific co-operative laws. Belgium and Portugal retain this system, and the basic co-operative law of Turkey, introduced as recently as 1956, takes the form of a section of the Commercial Code.

484. Specific co-operative laws, either applicable to all types of co-operatives or to one particular branch or area are now the most widespread form of co-operative legislation. General co-operative laws in the main derive from the experiences of four countries: United Kingdom; India; Germany; and France, and have evolved gradually through a number of detailed amendments over a long period. The later laws embody most of the improvements made in those of earlier date and often reflect the increasing interest of the State in co-operative development.

485. Sectional co-operative laws are found in fewer countries than are those of general application. Such sectional laws are, broadly speaking, of three kinds:

(a) Laws applying to one type of co-operation: as agricultural, consumers, fishermen, housing, land reform. Such laws are usually passed when the government concerned wishes to use the co-operative movement to promote economic and social development of a particular kind or perhaps to associate co-operation for a particular purpose with a national bank or fund set up to promote the same object. The effect may be that each sectional co-operative organisation works within the legal and administrative framework well suited to its needs, but that such sectional legislation militates against the unification of the co-operative movement as a whole, with common aims and a system of mutual support. Although, of course, this is not always the case in practice.

In the State-planned economy of many Eastern European countries sectional co-operative legislation is featured in the form of administrative orders and decrees setting up collective farms, consumer and industrial co-operatives, but also in some of such countries, all-inclusive central co-operative councils. In the U.S.A. there are different laws for agricultural co-operatives and for credit unions. The situation is similar in Japan. Sectional legislation is side by side with the general co-operative law, amongst other countries in France.

In Italy and Egypt, laws of agrarian reform have a direct bearing on the formation and operation of agricultural co-operatives. In Italy, the Land Reform Laws of 1950 make provision for "the setting-up of co-operatives or compulsory consortia for at least 20 years in each resettlement unit". In Egypt under the Land Reform Law 1952, all holders of "redistributed" land must become members of co-operatives. The functions of such co-operatives are defined in some detail in the same Law.

(b) Laws for fully-developed co-operatives with economic objects and laws for co-operatives with aims of a social character are separated in some countries, the latter category of law being designed for societies, formed by some section of the population with limited business experience, and which are not expected to involve complex business operations.

(c) Provincial co-operative legislation may well be in part or whole the concern of provincial or regional legislators rather than of the national authority. This is the case in large federal states such as the United States (where, however, standard or model laws have been introduced under co-operative pressure in most states of the union), also in Canada, Australia and to some extent in South Africa, India and the U.S.S.R.

#### Principal Provisions of Co-operative Law

486. Co-operative legislation exists to fulfil three main purposes: to establish a corporate body with appropriate rights and obligations, both internal and external; to safeguard the co-operative character of the organisations; to establish any special relation between the co-operative and government which may be held necessary or desirable. These purposes, and especially the first two, inevitably overlap, and are not as a rule dealt with in separate sections of the act.

487. Definition of a Co-operative. Most laws provide some definition of a co-operative, usually in more or less general terms. The British Industrial and Provident Societies' Act for example merely states that "A society which may be registered under this Act is a society for carrying on any industries, businesses or trades specified or authorised by its rules". The word "co-operative" is not mentioned and it was not until 1939 that its use in the United Kingdom was restricted to genuine co-operative societies. The German law is a little more explicit in speaking of "associations with open membership who seek to promote the household economy or business of members through joint or economic action." The French Law of 1947 defines co-operatives as special civil societies with variable capital and membership, and makes clear that they are of an economic character. The Capper Volstead Act of the United States (1922), in defining the types of association exempt from the provisions of the anti-trust laws, laid down that they might be "corporate or otherwise, with or without capital stock ... provided, however, that such associations are operating for the mutual benefit of the members thereof as producers, and conform to one or both of the following requirements ... that no member is allowed more than one vote ... or ... that the association does not pay dividends on capital in excess of 8 per cent. per annum". The model legislation based on the Indian Co-operative Act and adopted in many Asian and

African territories of the British Commonwealth refers simply to "a society which has as its object the promotion of the economic interests of its members in accordance with co-operative principles".

The definition in the Saskatchewan Co-operative Associations Act is more detailed and lays down the principles on which a society must be organised, operated and administered if it is to achieve registration as a co-operative, namely: (a) each member or delegate one vote; (b) no voting by proxy; (c) services primarily for members; (d) limited interest or share capital; (e) services to members and patrons as near as possible at cost through patronage dividends. In the countries of state-planned economy because of the more precise nature of their functions, the definition of co-operatives usually has some precise reference, as in Bulgaria, Poland and elsewhere, to their role in the national economic plan. The definition of co-operatives in the Czechoslovakian Constitution stresses their functions of raising the general standard of living of members, and emphasises that they are not to be used as a source for obtaining large profits on invested capital.

488. Incorporation and Dissolution. Outside Denmark and Norway (see paragraph 481) most co-operatives seek to become corporate bodies and acquire "legal personality". With such legal recognition they are able to hold property, buy and sell, lend and borrow (using if necessary property as security), sue and be sued in the courts. This gives the committee of a co-operative freedom to carry on business activities, within the scope of the rules of the co-operative and the general law of the land, without having to consult and obtain the written consent of every member for every act involving a financial transaction or commitment. Such liberty of action is essential if the co-operative is to operate quickly enough for economic efficiency, and is to give the persons or organisations, with which it does business, confidence in its ability to carry out its promises and honour its engagements.

489. Incorporation means that anyone who has a financial or legal claim against the society can press it on the society as a corporate body and not on all or any of the individual members. It also means that the liability of members for the financial losses or the possible illegal acts of the co-operative is limited in some defined way. Even in a co-operative in which the members assume unlimited financial liability, they are only called on to meet a proportion of the loss if the society actually goes into liquidation with outstanding debts. In the case of joint and several liability a creditor may, however, choose to sue one member, usually the richest. Some co-operative laws make no provision for co-operatives with unlimited or joint and several liability, and in general this form is becoming less common than it was.

490. In some countries co-operatives are only incorporated for a fixed term of years. This is on the whole exceptional. In Tanganyika, there is a system of deferring the registration of a society, while such a society, called "probationary" proves itself a viable economic unit.

491. Provisions are usually laid down for the dissolution of a co-operative in specified circumstances. These may be:

- (i) when membership falls below a legal minimum number;
- (ii) if the society has ceased to do business for a long period;
- (iii) if a given proportion of the members themselves desired to wind up the society;
- (iv) if, on inquiry instigated either by a given proportion of the members, or undertaken by a competent supervisory authority, it has been found that serious irregularities have occurred, that the society is not in fact being run in the interests of its members, or that it is insolvent and that its continued existence would only involve its members or others in further loss.

In some laws, usually in the case of (ii) above and if there appear to be no unpaid debts or property to assign, the registration of a society may simply be cancelled and the rather costly process of liquidation avoided.

492. Membership. Incorporation cannot take place unless there are members to be incorporated. The law must decide qualifications for membership and the conditions for withdrawal from membership. Usually there is a fixed minimum number of members without which a society cannot be registered - examples, in the United Kingdom, seven, in India and many British Commonwealth African countries, ten, in Bulgaria, 15, and in the United States of America, 20. The Maharashtra (India) Co-operative Act of 1961 lays down that the ten founder members must come from different families and the term "member of a family" includes the grandparents, step-fathers and mothers, half-sisters and brothers as well as the more usual members of the family. This would seem to illustrate an appreciation of the danger of starting co-operative societies of too restricted scope in countries where much of the population is of limited education and material resources.

493. The number of members in a society and the total shareholdings are generally undetermined, though the maximum number of shares an individual member may hold in the society is nearly always fixed. Under the laws of some American states, however, it is possible to incorporate a co-operative with fixed capital although this is recognised as unsatisfactory by American co-operators.

494. The principle of open membership, at least within a society's area of operations is generally applied in consumers' co-operatives though, as in most other types of society, membership may be refused to persons carrying on trade in competition with the co-operative they propose to join. In other kinds of co-operation, an open membership may be subject to practical limitations which are not usually regarded as infringing the principle. A housing society, for example, may be limited to the number of families who can occupy a block of flats which it is proposed to build. Agricultural societies may be limited to the producers of a particular product or to those living near enough to a dairy to make possible daily milk collection. A credit union may be limited to the employers of a particular firm or the congregation of a particular parish church. Some societies do not allow their own employees to become members. In some of the tropical African countries there are agricultural co-operatives with membership limited to African farmers. This limitation as to race is however gradually disappearing.

495. Members are generally free to leave a co-operative provided they are not personally indebted to it. In some societies it is specified that the member remains liable for the debts of the society for a fixed period, generally two years, after they have withdrawn from membership. There are some co-operatives from which members cannot withdraw unless they leave a district or change their means of earning a living. There are laws, as in Norway, as regards fisheries, and in several African countries, as regards agricultural products, that provide that in certain circumstances a co-operative shall have the sole right in its area to market a designated commodity. In such cases a farmer or fisherman is compelled to deal through a co-operative society, even if actual membership is not in fact compulsory. In other instances, as in the land settlement areas of Egypt and Italy membership is compulsory as otherwise land and services will not be forthcoming. This also applies to membership of co-operatives for irrigation and drainage in which membership goes with the ownership of land. Where agriculture as a whole has been, by state decree, comprehensively reorganised on a collective basis, membership ceases essentially to be voluntary.

496. By-laws. In order to be incorporated, the prospective members of a co-operative must submit a set of by-laws laying down what the society is intended to do, how it will be managed and controlled and how it will be financed. By-laws have been defined as "a set of agreements voluntarily adopted by the members in order to define their relations with one another within the association, their relations with the common undertaking, their rights and duties ....." The by-laws are thus the constitution which the co-operators have laid down for themselves."<sup>1</sup>

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<sup>1</sup> Co-operation. A Workers' Educational Manual, M. Colombain, I.L.O.

The co-operative law, or the rules annexed thereto, will make provision for essential details which must be included in the by-laws of a co-operative. In some countries, as India and many African countries, model by-laws are drawn up by the Department of Co-operative Development and are not susceptible to very much variation. Elsewhere, model by-laws for the guidance of new societies are drawn up by a co-operative union or similar non-official institution. If such by-laws are adopted by a society in course of formation they are usually accepted without question by the authority responsible for incorporation or registration, while by-laws drawn up without reference to an existing model are usually scrutinised with some rigour.

497. General Meeting. The by-laws usually lay down that the highest governing body of a co-operative shall be a general meeting of members, though often this will be found as a provision of the basic co-operative law. The principle that each member shall have one vote, irrespective of how many shares he holds, is written into the law (in most European countries, the U.S.A., most parts of the British Commonwealth and elsewhere). In the United Kingdom, for example, although it is not stated in the law, it would be difficult to secure registration for by-laws which admitted plural voting. The principle is not, however, universal. There are co-operatives, particularly those of farmers in one or two overseas countries of European settlement, such as New Zealand, in which it is possible to allow for additional votes, generally strictly limited in number and related to the volume of business which the member does with his society. It is also usual in cases where one society is a member of another, as in the case of federations and secondary organisations generally, to allow the member society a plurality of votes, based directly or indirectly on the number of its own individual members. Some laws allow, and some forbid, voting by proxy and voting by post.

498. The purpose of the general meeting is to review the work of the society; to pass an annual report and financial statement; to elect a committee or committees to control the work of the society between general meetings; to decide on changes in the by-laws and, if necessary, to apply for the Society's dissolution. Most countries include in the law the procedures by which by-laws can be amended or the co-operative voluntarily dissolved, amalgamated with another co-operative or converted from a co-operative into another type of corporate body.

499. Some laws, including the original German and the latest French law, introduce into the law itself detailed regulations regarding the holding of general meetings (which, in the case of large societies, may include area and delegate meetings); the election of committees; the period for which members hold office, and the conduct of meetings. These points will all have to be included in the by-laws so that they may be accessible to all the members. In some countries it is only in the society by-laws that they are set out in any detail.

500. Committees. Most laws provide for a single committee, but in Germany and in countries the legal thinking of which has been influenced by Germany there are two organs of control: the supervisory committee, which is large and meets infrequently, and the board of management which is small, often consisting of no more than three persons, meets frequently and, especially in large societies, is frequently professional and paid.

501. Audit of Accounts. In many countries co-operatives are legally obliged to submit their accounts to an auditor, whose report is then available to the authority responsible for the proper working of co-operatives. In Germany and countries with similar laws, co-operatives have the choice of audit by a government official or the formation of their own audit unions with the necessary qualified staff. In the United Kingdom co-operatives elect their auditors from a list of professionally qualified men. In many developing countries audit is carried on by a department of government, or by commercial auditors authorised by the registrar. With the development of national co-operative unions the function of audit is increasingly being transferred to such unions. Occasionally, the audit may be carried out by a bank which lends to co-operatives. In a number of countries, however, including the United States, there are no legal provisions regarding audit, or, as in Sweden and Switzerland, the choice of auditor is left to the society, sometimes with the provision that he shall not be a member of the board of management, an employee or otherwise personally interested.

502. Finance. The law generally lays down the method or alternative methods by which the work of a co-operative may be financed. The most usual basis of finance, except perhaps in primary credit societies in some countries, is the subscription of shares by all members. The value of these shares and the minimum number which each member may hold is usually left to the by-laws as is the decision whether shares should be partly or fully paid up. In some co-operatives shareholding is in proportion to the business which the member may be expected to do with his society, and is calculated on, for example, the number of acres farmed or cows kept, produce to be delivered, or credit to be obtained. In most countries, there is not only a minimum but also a maximum shareholding usually stipulated in the law. The object of this is to make it impossible that a preponderance of share capital should be held by one man or a small group of wealthy men, who may thereby dominate policy by a threat to withdraw their capital, even if they did not hold more than one vote each. The limit may be an absolute figure, as in the United Kingdom, and in this case it will probably have to be revised upwards at intervals, in accordance with changes in the purchasing power of money or, as in most countries, a proportion, generally one-fifth, of total capital.

503. Under some laws shares are withdrawable at any time and at short notice. This privilege has been freely used in some consumers' movements and has meant that societies often have to keep an inconveniently high level of liquid capital, and may thus be hindered in their own development. However, many societies are empowered to fix a specific period between the withdrawal of a member and the repayment of his shares. This may be as long as two years. More frequently shares are transferable only and the member can only withdraw if he, or the society, is able to find another member or prospective member who will take them over. Provision is included in most laws for the transfer of shares on the death of a member to his heirs, but in some countries shares in an agricultural co-operative pass automatically to the new owner or occupier of a farm when a member dies or retires.

504. Some laws allow, but others restrict, the right of a co-operative to repay shares compulsorily. In the drafting of many co-operative laws it was not adequately foreseen that a co-operative might come to include a number of shareholding (and voting) members who in fact no longer did business with it. This is especially true of agricultural co-operatives in the most prosperous countries where farmers more frequently change their farms or retire and hand their farms over to their sons, and where shareholding in a co-operative may be relatively large and convey some profit to the holder. In New Zealand, an amendment to the law has made it legally possible for a co-operative to repay compulsorily the shares of inactive members.

505. Alternative methods of attaining the same objective of keeping membership "live" are the Danish system of forming a primary co-operative with a time limit of 20 years and then dissolving and reforming with active members only; the North American method of accumulating capital by revolving funds (paragraphs 147 and 507) and the system of converting shares into non-voting debentures as soon as the holder ceases to be able to do business with the society.

506. In a very few countries of which New Zealand is one, shares in co-operatives may be allowed to appreciate. It is far more usual however for shares to remain at par either by specific legal provisions or as a result of the obligation to issue new shares at par at any time. This means that members joining years after the society has been formed pay the same for their shares as the original members and do not have to buy shares at market rates as in the case of joint stock companies. In the case of withdrawal of the share, the value will normally only be paid if the financial position of the society warrants it. This is clearly stated, for instance, in the Finnish Co-operative Societies' Act: "A refund (of a member's share) shall take place only to the extent the assets of the society suffice thereto without touching upon capital reserve or violating equal rights of other members then belonging to the society".

507. There is in the United States and some other countries legal provision for the formation of co-operatives without share capital, the so-called non-stock associations. In some cases an entrance fee is charged, but it is usually small. The financial basis of the enterprise is the members' undertaking to do business through the society, on the strength of which the co-operative is able to borrow initial capital, which can be gradually replaced

from the surplus on trade, either put to reserve or invested in a revolving fund. This device, which was perfected in North America, may be regarded either as an allocated reserve, in that it is retained by the co-operative but credited to the individual member in proportion to the business he has done with the society, or as profit distributed to the member and simultaneously returned by him as a loan to his society. In any case, it remains his property, bears interest, and is returnable to him at the end of a fixed term of years or on his reaching a stated age or retiring from farming. This system has proved to be a valuable method of raising capital, but mainly in countries like the United States, where co-operatives are only partially exempt from income tax. If the revolving fund is, in fact, a reserve, the co-operative is taxable. If it is a bonus on business done, the co-operative is not taxable, even if the bonus is immediately transferred to a loan account in the members' name.

508. Most co-operatives are authorised by their by-laws to raise loans. These may be for short or long periods, for capital development or to cover stocks and working expenses. Such loans may be from members, be long term or take the form of savings deposits withdrawable at short notice. They may be derived from a co-operative, private or governmental bank. Where the loans are from members on short term, there is generally a legal provision restricting the power of the co-operative itself to loan money or engage in banking business.

509. All co-operatives form reserve funds. It is frequently laid down in the law or the rules that a fixed proportion of surplus at the end of each year shall be carried to reserve, either indefinitely or until the reserve is equal to, or a multiple of, the share capital. It is usually laid down by law that such statutory reserves are indivisible, even on the dissolution of a society and that, in such an event, they must be applied to some purpose of public utility in the district. This removes from members the temptation to dissolve the society in order to share out substantial reserves among themselves.

510. Distribution of Surpluses. Usually in co-operative law it is laid down that interest on share capital shall not exceed a fixed rate. This may be tied to the bank rate or may be set at a fixed maximum which appeared reasonable at the time when the law was passed, (e.g. 5 per cent. to 6 per cent. in many laws; 8 per cent. in the U.S.A., 2 per cent. above prevailing market rate in Hungary). In some countries of Eastern Europe, in the consumer movement, as in Bulgaria, surpluses are distributed as dividends on shares held and not on patronage. There is no limit in such cases to the amount payable in terms of a percentage of the share, though there is, in terms of a percentage of the total surplus.

In such countries, surplus funds arise as a result of average management within a framework of fixed wholesale and retail prices. Provision is made in the law for the use of these surpluses for objects of mutual benefit, the so-called "socialised dividend", and the method of allocation is often very strictly defined, with compulsory contributions to "educational cultural funds", central economic development funds and the like.

In other countries, the size of the surplus depends very much more on skilled management within a free market; and the nature of its distribution is less rigidly controlled. Allocations to reserve are normally obligatory, and the payment of bonuses to employees and of contributions for educational or charitable purposes are generally made permissive in the law or by-laws. The balance of surpluses, after such allocations, in most countries should, if co-operative principles are observed, be divided among members in accordance with the volume of business done with, or value of services rendered to, the society. In some countries, as in France, this division is legally enforceable. In others, for example, Western Germany and the United Kingdom, it is left to the by-laws or even the discretion of the annual general meeting.

511. Limitation of Trading of Co-operatives and their Members. Laws, particularly those derived from Germany, have forbidden co-operatives to trade with non-members. In Germany, this prohibition has recently been brought to an end in the consumers' movement by an amendment to the law. In Japan as we have seen in paragraph 387, the credit co-operatives are forbidden to accept deposits from or give loans to non-members. In other countries, such as the United States where certain tax reliefs are available to co-operatives, these are contingent on trade with non-members being kept at a stated and strictly limited proportion of the total. Dealings with non-members require in some



laws the sanction of the registrar or conditions relating to such dealings may be prescribed in the by-laws of a society. Elsewhere it would seem, as in the United Kingdom and Italy, that transactions with non-members are considered as useful means of attracting them to become members.

512. To restrict members to doing business only with their co-operative is rarely enforceable by law in the case of consumer co-operatives. In agricultural societies, marketing and processing members' produce, it is very often accepted that a member is bound, either by the by-laws which he signs on becoming a member or by a specific contract, into which he enters separately, to deliver all his produce at least of a particular kind, to his co-operative. In most countries this is legally accepted in law and it is usual to provide for "liquidated damages" in the case of a breach of contract.

### 513. Legal Provision for Privileges and Assistance.

- (1) Protection of the use of the word "co-operative", or its equivalent in other languages, and its limitation to organisations registered under the Co-operative Law. This is a widespread but not a universal privilege. In some countries the same result is achieved by a negative provision in the Act concerning companies.
- (11) Fiscal reliefs. Most countries reduce stamp duties and fees on the registration of a co-operative below the level charged to a company, and so make possible inexpensive incorporation and transfer of shares. In earlier years most countries exempted co-operatives from the payment of income tax on annual surplus, sometimes on condition that their trade with non-members and their rates of interest on capital were both limited. As the co-operatives of Western Europe and North America have become richer and more powerful and have absorbed a considerable share of certain fields of national trade, this position has been under attack, and in several countries exemption from income tax on surplus, other than that repaid to members as bonus, has been wholly or partly withdrawn (e.g. Canada, the United Kingdom). In a few countries (e.g. in South America), co-operatives importing such items as agricultural machinery have been exempted from customs duties, but this is exceptional.
- (111) Subsidies and loans. In a few countries, subsidies and, much more generally, loans at low rates of interest, have been provided or guaranteed by government. Advances are actually made through an agricultural, housing or general co-operative bank, agency or other organisation, which may be wholly or partly government controlled. Such loans may be at long term, to provide capital for permanent plant and buildings, or short term, to facilitate the movement of crops, the holding of stocks or the granting of credits to co-operative members. This form of aid is freely given in most developing countries, but it has also played a considerable part in the U.S.A. and in some countries of Western Europe (e.g. France), though in some European countries it is unknown and would probably not be acceptable.
- (iv) Supervision. In order that co-operatives may justify the privileges they receive, it is necessary that the public authorities should be satisfied that they are not only observing co-operative principles, but are run with reasonable business efficiency and honesty. To ensure this, most, though not all, co-operative legislation requires co-operatives to make an annual report, largely financial in character, to a public authority, in nearly all cases the same authority that registers and dissolves societies. In the United States there is no such provision unless the co-operative is a credit union or wants to borrow from a government-sponsored bank. In most countries with long-established co-operatives, the submission of reports is in the main a formality. Audit supervision is carried out by co-operative unions or banks. In many of the developing countries in Asia and Africa, however, not only audit and supervision, but promotion and education are carried on by a government department.

- (v) Statutory Powers. In some countries laws exist which make it possible to confer statutory powers on activities generally in order that they may exercise complete control over the marketing of a given product or handle the distribution of rationed goods or those in short supply.
- (vi) Contracts. Many co-operatives, especially those formed by industrial workers, are given special consideration in the allotment of government contracts.

#### Co-operatives and General and Special Legislation

514. Co-operatives are governed in many of their activities by the Common Law or by the Civil, Commercial and Criminal Codes. They are subject to the law of contracts, to laws governing the employment of labour, the use of road vehicles, torts or civil damages. They may also be closely affected by special legislation as, for example, that connected with the provision of low-cost housing, the purity of food, drugs and seeds, the provision of subsidies for certain forms of agricultural production, the standardisation of products, or the reform of land tenure.

#### Trends in Co-operative Law

515. Co-operative legislation is of fairly long standing, and in the law itself, as apart from its administration, there have been no very marked changes in the last ten years. In one or two of the developing countries which have recently attained political independence, there may be seen a slight tendency to increase the powers of the State in any new legislation which may have been passed, though in fact not much has reached the Statute Book. Elsewhere there is occasionally an opposite tendency for co-operatives to move away from the support and therefore the supervision of the State. In general, however, the effect of most recent legislation has been simply to amend slightly wherever experience has shown that the law has been faulty, imprecise or no longer applicable to modern conditions. In addition, much of the newer legislation in, for example, South America appears to have been based not only on national experience, but on the legislation of other countries, now widely available to study and analysis.

## Chapter 2

### Government Aid to Co-operation

#### General Position

516. Co-operatives in most countries of Western Europe receive no aid from government apart from legal recognition and in some respects very limited fiscal advantages. Exceptions are France, Spain, Portugal and, to some extent, Italy. In the U.S.S.R. and other Eastern European countries, co-operatives are state sponsored in certain defined sections of the economy and receive state assistance in common with other types of organisation in the form of credit, raw materials and the like. In other continents some measure of government aid is normal and over most of Asia and Africa co-operation is largely initiated by governments and continues to rely on government supervision and financial aid. Exceptions are Canada and Australia where aid to co-operatives is on a very limited scale and in the United States, where it was at one time substantial in the field of finance, but is now mainly advisory.

#### Promotion and Supervision

517. In practically every country some government department is responsible at least for seeing that the law regarding co-operatives is carried out. In a few countries, but more frequently in provincial than in national administration, there is a Co-operative Department under its own Minister (Canada, Australia, India). More usually the Co-operative Department forms part of an existing Ministry. In the majority of countries this is the Ministry of Agriculture, but may also be the Ministry of Economic Affairs, or of Commerce and Industry (as in Belgium, Germany and Ireland), of the Interior (as in Austria and Taiwan), of Social Welfare (as in Syria and Northern Nigeria), of Co-operative and Community Development (Tanganyika), of Finance (as in the United Kingdom and parts of Australia), or of Labour (as in some countries of Latin America). In a number of countries there is no single department responsible, and for official purposes co-operatives are divided according to their functions, each group looking to its appropriate Ministry. In France, for example, there are the Ministries of Agriculture, Labour, Finance and Housing; in Spain, Agriculture and Labour; in Ceylon, Agriculture, Rural Economy and Fisheries; in Greece, Agriculture, Labour and Industry.

518. In some countries a national co-operative council or commission has been set up to exercise general supervision over the co-operative movement. This may consist wholly of the representatives of the interested Ministries (for example, in Iran) or it may include other interests, including the co-operatives themselves.

519. In the countries with state planned economies the promotion and supervision of co-operatives appear to operate mainly through the national economic plan in which all have an assigned part to play, with central state control in a body such as the Council of Ministers working through Economic Councils and in collaboration with Central and Regional Co-operative Unions. The central state control is reinforced by the control of finance. Audit, advisory services, supervision, education and the fulfilment in detail of the plan is generally left to the co-operatives themselves. The degree of centralisation varies in different countries. Collective farms often have no national organisation of their own and may depend directly on the Department of Agriculture.

520. Elsewhere in Europe and in North America the duties of a government department are usually confined to the incorporation and liquidation of societies, and in some cases (but not in all) to receive an annual audited report. Most also have, but do not often use, the power to inspect, to institute inquiries in cases of apparent irregularities, and if necessary, to bring about compulsory liquidation. Government departments in these countries hardly ever engage in the active promotion or regular supervision of co-operatives, except where a policy of making capital available on favourable terms involves a measure of control over its use and repayment. Such control, however, is usually exercised indirectly through the agency handling the loan, such as the National Bank of Agricultural Credit and the Central Co-operatives in the United States. Housing societies are in many cases fairly closely controlled either by a Ministry of Housing or by local government authorities, partly because they receive public loans and/or contracts, partly because it is obviously essential that new housing should meet required social standards.

521. The Co-operative Departments of the Union of South Africa, New South Wales and Saskatchewan take a more definitely promotional view of their functions. In the United States the Department of Agriculture includes a Farmer Co-operative Service, staffed by economic and technical experts, which provides valuable and extensive advisory services for co-operatives but does not exercise any supervisory powers. In some countries, where the general level of economic education ensures that co-operatives for most purposes can be left to manage their own affairs, a government department may intervene on behalf of special groups such as fishermen, or minority races such as Eskimos in Northern Canada. It is true also, that where supervision is carried on by voluntary bodies, as in the case of the Auditing Unions of Germany and other countries, the State usually has some reserve power to intervene in case of suspected laxity or abuse. Such powers are very rarely, if ever used.

522. In Asia and Africa, however, the part played by governmental departments concerned with co-operation is much more active, and often constitutes the main-spring of co-operative development. When co-operation was first introduced into India, Registrars of Co-operative Societies were appointed in the Provinces (now States) whose duties were expected to correspond with those of similar officials in Europe, and to relate mainly to the registration and dissolution of societies. In practice it was found, both in India and other countries, that the idea of co-operation in its modern form was strange to the bulk of the population and a spontaneous move to form a co-operative society unusual. The Co-operative Department first found itself drawing the attention of farmers, craftsmen and others to the possibilities of the co-operative method, and later actively promoting the formation of societies, while at the same time carefully assessing their chances of success before registration was finally granted.

523. It was also found that few among those whom co-operation might benefit, were adequately equipped to carry it out. Members, and especially committees, had to be taught the meaning of co-operative rules and the methods of conducting co-operative business. In the villages it was often hard to find literate secretaries and bookkeepers, and when found, committees often had difficulty in supervising their work. All this meant much closer supervision than would have been necessary in communities with more economic experience. In many cases this involved not merely audit, but frequent inspection, attendance at co-operative meetings, and continuous help with bookkeeping and clerical work.

524. For these purposes co-operative departments have gradually built up considerable staffs of regional officers, auditors, supervisors and inspectors, many of them stationed in the country far from the capital city or the principal offices of the department. The staff of the co-operative department in Ceylon (1959) was over 1,600 and this is by no means exceptional. Such men have to be trained for their duties, and this calls for specialised facilities, institutes and colleges, in which they have to spend up to a year on theoretical and practical work before taking up their first posts, with perhaps further training before they can expect promotion. Senior men, or those marked out for senior appointments, are also given opportunities to attend colleges and seminars abroad, and to study the working of co-operative movements in countries other than their own.

525. A governmental structure of this kind exists in all countries where British influence was the prevailing factor in co-operative development. Many countries in this group are now politically independent, but in nearly all, the system has in the main been preserved. In India, the Registrars' Departments have retained all the statutory powers of registration, audit, inspection, inquiry, arbitration, execution of decrees held by the societies, supersession in certain cases of the committees of societies, and arbitration. But as the movement progressed, the governments of most Indian States wished that as much of the non-statutory duties as possible should be handed over to non-official organisations, such as state, district and local supervisory Co-operative Unions. This devolution of the duties of promotion, supervision, education and propaganda, has taken place in various degrees in different States, but it is doubtful if in any State all these duties, with the possible exception of propaganda, have been handed over to non-official bodies. In many States supervision has been transferred to central co-operative banks, which have a special interest in the application and prompt recovery of the loans which they have themselves made to affiliated co-operatives. In some States the duty of supervision is carried out partly by central banks and partly by the Co-operative Department. The position

is the same with regard to the formation of new societies. The education of non-official co-operators is entirely in the hands of the All-India Co-operative Union and the State Co-operative Unions, but education of paid staffs, whether of the Departments or of co-operative institutions, is in official hands.

526. One reason for the slow transfer of such duties to voluntary bodies in India is that few of such bodies have adequate funds for the purpose. A statutory contribution to their funds may in future be imposed on all co-operatives. Another reason is that plans for co-operative development are drawn up by the Planning Commission of the Government of India and targets are fixed for their attainment within a five-year period. This the co-operative departmental machinery can alone be depended on to achieve.

527. The position in other Asian countries shows a similar delay in making voluntary co-operative unions function more extensively and effectively. The delay is due partly to lack of funds and partly to widespread economic disturbances in such countries as Pakistan, Burma and Malaya.

528. National co-operative unions in the developing countries of Africa are in their early stages. Where they exist it is the policy which is slowly being implemented to transfer to them most of the functions of audit and supervision at present being exercised by departments of co-operative development. In Ghana there has been a fundamental change with the socialising of a number of formerly co-operative undertakings. The co-operative department now appears in that country to have less authority than the National Co-operative Council, a body made up of a group of organisations concerned with labour, investment, industrial development and agricultural marketing, but not registered as co-operative societies.

529. In African territories which drew their co-operative inspiration from France, the position is rather different, since co-operatives were not the first form of credit and marketing organisation offered to the peasant farmer, but have branched out from the older system of compulsory provident societies, to which all agriculturists contributed and through which they could obtain credit and market their crops. These "preco-operatives" were officially controlled and despite changes in their name and constitution the control at national and regional level of credit and marketing remains in most cases official. Only by slow stages can there be built up in such countries a sufficiently strong foundation of primary societies for voluntary organisations at regional and national level to take over responsibility.

530. In Japan the transfer of control to voluntary organisations has gone much further. An Agricultural Co-operative Department has been established in the Ministry of Agriculture and Forestry, with a small staff divided into two sections, one of which is concerned with supervision and inspection. Active supervision, however, has for some time been transferred to the National Central Union of Agricultural Co-operative Associations, and the regional unions, which employ their own inspectors, who have the legal right to supervise co-operatives in their area. It is only when a grave problem arises which cannot be solved by the regional or national unions that the Co-operative Department intervenes. In addition, it is responsible for supervising the National Central Union itself. The organisation of new societies, education, propaganda and research are mainly in the hands of the National Central Union of Agricultural Co-operatives, the Japanese Federation of Consumer Co-operatives, the Central Union of Small Enterprise Co-operatives (which also supervise) and their affiliated bodies.

531. The transfer of supervisory powers to organisations other than government departments is to be found in some countries. In Costa Rica, for instance, although a co-operative office in the Ministry of Labour and Social Security is responsible for registration and inspection, the National Bank of Costa Rica has a department for the promotion of co-operation which, in addition to making loans to co-operatives, also inspects, audits, provides secretarial and technical aid, undertakes publication and publicity. In Egypt, where ultimate responsibility for co-operatives is divided, according to function, among five Ministries, in the case of four of these some part of the work of supervision is transferred to a semi-official autonomous agency. In Spain, authority is devolved from the Ministry of Labour to the "Syndical Authority for Co-operation", and thence to the National Union of Agricultural Co-operatives. In Portugal, the Deposit Credit and Provident Bank inspects co-operatives and provides some technical aid. In Turkey, the supervision of credit co-operatives, though not of other types, is in the hands of the Agricultural Bank.

### Financial Aid

532. State aid in financial matters is of great importance in countries where the economy is state planned and, therefore, all sources of credit finance are in the hands or under the control of the State, and in countries of developing economies where the State uses some of its material resources as part of a constructive policy of co-operative development. In other countries state financial assistance to co-operatives is far less usual. State financial aid is not in all countries synonymous with state supervision nor is it continuous. It may be important for a period, then lapse either with a change of government or on the attaining of self sufficiency by the co-operatives themselves. It may be offered to one functional group of co-operatives and not to others either because these co-operatives are on principle, unwilling to accept it because they do not need it or because their work is considered to be of insufficient interest to the State.

533. No figures are available which would make possible even an estimate of the total annual value of state advances to co-operations throughout the world, nor is it easy in all cases to distinguish between grants, loans and guarantees, or to decide whether a loan at current rates of interest from a national bank to a co-operative federation to cover the amount of crops, should be counted as state aid or as a normal and mutually profitable business operation.

534. In the U.S.S.R. and other countries of Eastern Europe, the whole credit, tax, price and finance policy, the whole economic policy and all social/political activity is directed towards national development in accordance with a detailed state plan. Because agricultural consumers' and producers' co-operatives have assigned parts to play in such plans they receive the benefits of state aid in various forms, in common with state enterprises of different kinds and functions. Co-operatives borrow from state banks for all purposes for which their own shares and reserves are inadequate. They also invest their net surplus funds in such banks.

535. In the competitive economies of other countries in Europe very few co-operatives make any use of state finance and all the more important co-operative movements have their own autonomous and financial self-supporting banks. Exceptions are France, Greece, Italy, Spain and Portugal. There are also some other countries where small grants are made for co-operative education or in which limited public funds have been available to sections of the population with special problems, e.g. fishermen. In Canada and Australia also there is little reliance on government aid. In the United States considerable aid in various forms has been forthcoming in the past and large loans at normal rates of interest are still available for rural electrification schemes, co-operative or otherwise.

536. The use of state funds by co-operatives has become important in most Asian countries in recent years. In the independent territories of the British Commonwealth this marks a change of policy since the former British administration insisted on co-operative self-help even at the cost of slow development. In the commonwealth countries in Africa the attaining of independence has often brought about a similar change in policy and state funds made available for industrial and commercial as well as agricultural development are usually channelled through co-operatives where they exist. In the Republic of South Africa, facilities for co-operative borrowing have always been more freely available. French policy in overseas countries, as in Europe, has favoured a much freer channelling of state funds through co-operatives for approved purposes than was usual in countries influenced by British experience. This policy is also followed in several countries in the Middle East (especially Egypt and Turkey, (but not in Israel, where outside finance for co-operatives comes from non-government funds)), and in a number of countries in Central and South America. Co-operative movements in many of these, however, are still on a rather modest scale, so that the total disbursement of government funds for this purpose is probably not large.

537. The type of co-operation which has received the most substantial and widespread financial aid from government is in most countries the agricultural movement. This follows on the fact that, in most of the countries which provide facilities of this kind, agriculture has been, or is in some measure, a depressed industry, almost always under-capitalised, needing, in particular, both long-term capital in order to modernise its equipment, and considerable short-term loans in order to move crops on to the market. In the U.S.S.R. and other countries of Eastern Europe considerable aid has been given to workers' societies manufacturing consumer and other goods. (Usually in central workshops but occasionally following a cottage industry pattern particularly in traditional crafts.) In Japan and

India in particular similar aid has been provided on a large scale for co-operatively organised small industries and cottage industries, and similar aid has been made available to fishery co-operatives in a rather wider range of countries, including some in which the State shows no special favour to other forms of co-operation. Housing societies in a number of countries, including those in which the State does not normally support co-operation, often receive grants and/or loans from national or local authorities. These, however, are related to the part co-operatives play in providing low-cost housing, and are generally also available to other housing agencies.

538. The principal forms taken by state financial aid to co-operatives are grants, loans, guarantees and investment of share capital.

(i) Grants. These are generally small and occur only in a limited range of countries. They are usually made for one of four main purposes: to meet the initial administrative costs of new societies or to help with the rehabilitation of weak societies; to assist educational and advisory services of central co-operative organisations; or as a contribution to capital development especially, it would seem, of collective farms; and rather infrequently to reduce rates of interest. In such countries as Bulgaria weaker societies are often assisted by the State by the remission of debts, in the form of taxes they are unable to pay, and also of the interest thereon. Subsidies and free issues of stores and equipment and the free allocation of buildings are made in such countries to special types of society, as co-operatives for invalids.

In India grants to co-operatives in 1959/60 reached the high figure of over £4 million. Much of this was intended to cover the administrative costs of weak societies, particularly the salary of a competent principal officer. A good part was made available for the purpose of acquiring depots for the sale of hand loom cloth and the payment of staff. Agricultural working societies also received subsidies of 25 per cent. of the cost of building warehouses. In Japan grants are made for the rehabilitation of weak agricultural co-operatives by increasing their capital and paying a fixed rate of interest on borrowings. Subsidies towards reducing rates of interest were also made to several national and regional co-operative federations. In Taiwan, for example, grants are made to new primary societies generally intended to cover or partly cover the cost of account books, safes, scales or similar necessary equipment.

In some countries, e.g., the United Kingdom, educational grants to co-operatives are derived from public funds also available to other educational institutions. That is, the educational service earns the grant not the co-operative character of the organisation receiving it. Elsewhere the grant is made directly to further the work of a co-operative body. Such grants are more frequently given in countries where the state, if favourable to co-operation, does not itself carry on co-operative educational advisory or research services or is anxious to transfer such services to non-official bodies. Grants for housing and for such public services as rural electrification have been mentioned (paragraphs 409 and 224). Once again, it is the service rather than the co-operative which qualified for the grant.

(ii) Loans. These constitute the most important and widespread method of aiding co-operative development. Short-term loans from state banks are the major source of credit for societies in countries with state planned economies. In India the outstanding loans from government sources to co-operatives of all kinds stood at over £10 million in 1960. Very considerable funds (in Japan as much as £414 million for short-term and £175 million for long-term loans) are also made available by the governments of other Asian and Middle Eastern countries and are tending to increase.

The method of granting loans varies from one country to another, and even in the same country more than one channel may be used. Direct loans from government to co-operative are rather less frequently used than indirect loans through a bank. Where, as in Egypt, direct loans are the usual practice, they may be made by a number of different Ministries each in favour of the functional group of co-operatives for which the Ministry is responsible. In some countries special funds have been created for specific forms of economic development, such as the Agriculture, Forestry and Fisheries Finance Corporation of Japan, from which loans are made to co-operative and sometimes also to other institutions.

The more usual method is to make loans through a national bank either agricultural or general in character. In India, about two-thirds of the advances made to co-operatives come from the Reserve Bank of India, which maintains a special co-operative section for this purpose. (The remaining third comes direct from government.) State banks, in many Eastern European countries, may make direct loans to a regional or even primary society either for use in its own business or for relending to its members. In many countries the national co-operative banks may act as intermediaries between a national governmental bank and the co-operative societies. A co-operative bank may itself be purely voluntary or private or, as in some countries, be under some measure of public control through the inclusion of some official representatives on its Board of Directors. Examples of the latter are, the Banks for Co-operatives in the United States of America where, however, government control has been gradually withdrawn as government shareholding has been reduced and co-operative shareholding increased. The same process has been going on in Japan, where the original shares taken up by Government in the Central Co-operative Bank were replaced in the course of a few years by co-operative shares, and in Thailand, where government shareholding has been halted. In India at the present time, government participation is increasing in order to provide co-operatives with the finance to play their parts in a rapid development plan.

(iii) Guarantees. A method adopted, usually in countries which have been influenced by British experience, is for a government guarantee for co-operative borrowing, usually short-term, the actual loan being provided by a commercial bank. This method is used in Australia in connection with housing societies, in various parts of Africa, in Cyprus, and to some extent in India.

(iv) Loans from Marketing Boards. Yet another possibility is the loan, not from government, but from a statutory marketing board. This is usually only available to finance the movement of a crop which the marketing board handles. In some countries (e.g. Nigeria) however, marketing boards have accumulated considerable reserves intended for price stabilisation, which they are prepared to lend to co-operative banks for purposes of general co-operative development.

(v) Government Shareholding. Finally, the State may finance co-operative development by contributing to the share capital of central co-operative organisations. This is especially important in India, where the principle of what is known as "state partnership" in co-operative societies was adopted as a result of the recommendations of the Rural Credit Survey Report of 1954. In the case of agricultural credit societies, including co-operative financing banks, the Indian States borrow from the Long-Term Operations Fund constituted by the Reserve Bank of India out of its profits. In the case of other societies, they borrow from the Co-operative Development Board, established under statute and provided with funds by the Government of India. The total value of share capital so contributed stood at over £260 million in 1961, of which about two-thirds went to credit societies. A variant on government contribution to shareholding is the revolving loan fund to be used for co-operative development, of which Burma, the Philippines and Jordan provide examples.

#### Purpose, Terms and Security for Loan Capital

539. Broadly speaking, there are three main purposes for which government advances, whether by way of loan, guarantee or share, are made to co-operative societies. These are:

- (i) to convert the capital cost of necessary plant holdings;
- (ii) to cover the running costs of the organisation, including the purchase of crops, raw materials, stock-in-trade or articles manufactured by the members themselves;
- (iii) to make possible advances to members for use in developing their own farms or workshops.

These loans are secured on the normal mortgages of land building or chattels. In the case of the agricultural commodity awaiting sale and possible processing, loans are often covered by the hypothecation of all the members' crops to the organisation through which the loan is channelled.



### Other Forms of Government Aid to Co-operatives

540. (i) Tax Concessions. These, which have already been touched on in the section on co-operative legislation (paragraph 513), are probably the most widespread form of aid apart from supervision and finance. They usually cover exemption from the payment of income tax and sometimes other taxes, exemption from stamp duties on documents, such as the transfer of shares; incorporation or registration fees greatly below those charged to joint stock companies; and, less frequently, exemption from customs duties and postal charges.

These tax concessions have been of great value in the past, and still have value in developing countries where co-operatives are individually small and lack resources. As co-operation becomes strong and self-sufficient, and comes to occupy a considerable place in the national economy, the major concession, exemption from direct taxation, is sometimes brought to an end or a large number of co-operatives cease to avail themselves of it. The reasons are various. Tax exemption raises the hostility of other traders who, in democratic countries, bring pressure to bear on government. The co-operatives themselves may feel that hostility and misrepresentation cost them more than the concession is worth. They may also wish to be free from certain restrictions (such as the limitation on trade with non-members) which may be enforced if a society is to claim exemption. Basically, however, it is understandable that where a major part of any industry (for example agriculture) is co-operatively organised, and is also realising a steady income on the margin between cost and takings, it is unlikely that the national exchequer can ignore this source of revenue. The concession which the co-operative movement in most countries has successfully maintained, is that gains returned to members in the form of bonus on business done are not taxable at source.

Some countries which have abolished general tax exemption, have retained it for one type of society (e.g. credit unions in Canada) or have granted exemption to new societies for their first three years (also in Canada).

(ii) Contracts. These are of considerable importance in some countries and take various forms. The procurement of the agricultural products of collectives and the redistribution through state co-operative shops and factories and the state purchase of the manufactured goods of workers' productive societies in the U.S.S.R. and other Eastern European countries go beyond the scope of normal contracts in that they are an integral part of a state system. In other countries such as France and Italy, for example, where the trading outlets are not fixed and controlled, many workers' productive societies still find the most profitable outlet for their goods and services through government contracts including such enterprises as the construction of telephone exchanges, road and bridge building, housing and the production of school and office furniture. Similar contracts are offered to societies of this type in India and Ceylon.

The distribution of seeds, fertilisers, cement and coal, supplied by the Government of India, is affected through agricultural marketing and multi-purpose societies. Food grains procured by government are distributed through consumers' co-operatives and in villages through multi-purpose co-operatives which run "fair price shops". A similar system has been adopted in Burma and Japan. Elsewhere somewhat similar results are reached from the collaboration of co-operatives with marketing boards (see paragraph 541 et seq.). In Ceylon, consumers' societies and multi-purpose societies have a monopoly in the distribution of rice, sugar and flour to all retailers. In Taiwan, consumer co-operatives sell government controlled rice and salt.

Supplies to government institutions (hospitals, jails, schools) in India are bought from co-operative stores and dairies rather than from private traders. Government also purchases supplies of handloom cloth, coir and leather goods, furniture, etc., in preference from co-operative small-scale and cottage industries. When tenders are called for, those from co-operatives are given preference, even if the price is slightly higher. In Burma, the Civil Supplies Board purchases cloth from weavers' co-operatives for use in government departments and for distribution as relief. Co-operative marketing societies in India are given export quotas for cotton and other agricultural products.

In Japan, customary fishing rights have been transferred by government to fishery co-operatives. In India and Burma, contracts for inland fishing rights are not auctioned, but are given to fishery co-operatives at a fair rate, based on

the average rate for previous years. Concessions for the exploitation of lagoons and stationary shore fisheries, such as oyster beds, are also granted to co-operatives, as in Greece and France.

(iii) Grants of Land and Buildings. Grants of land and buildings are made rather infrequently to co-operatives in order that they may have the means to carry out the operations for which they have been formed. Such grants have been made in the Caribbean and in certain countries of Eastern Europe where societies have been able to take over inoperative state-owned mills and factories. Grants of land to approved settlers who are expected or advised to farm it co-operatively are to be found in every country which has co-operative or collective land settlement schemes. (See Joint Use of Land: Chapter 3, Section 7.)

#### Co-operatives and Statutory Bodies

541. In a number of countries throughout the world statutory boards have been established in the last 40 years to regulate the marketing of certain agricultural and fishery products. They may operate on a national or a regional basis. They may control the whole crop or only that part which is intended for export. They may actually handle the crop, as in the case of the government-controlled Fish and Vegetable Marketing Boards of Hong Kong, or the state-controlled Fish Market of New South Wales. They may merely fix prices and/or lay down conditions as to channels of trade, quantities of the commodity to be released out of the market, and possibly the form in which it is to be sold (e.g. raw or processed, and possibly the form of processing). Some boards are only set up at the request of a majority of producers (two-thirds to three-quarters) producing the large proportion of the commodity. Others are nominated by government though they usually include representation of producers' interests. There are some instances of government monopolies in no way producer controlled for example, in tobacco and alcohol in some countries.

542. The Co-operative Development and Warehousing Board of India is of a rather different character, since it is not concerned with any one commodity, but exists to plan and promote programmes for the production, processing, marketing, storage, warehousing, export and import of agricultural produce through a co-operative society or warehousing corporation, and "programmes through co-operative societies for the supply of seeds, manures, fertilisers, agricultural implements .. for the development of agricultural produce". Its powers are financial rather than regulatory.

543. Amongst the countries in which marketing boards exist are Australia (which in fact pioneered the system through the Queensland Primary Products Pools Act of 1922), New Zealand, Canada, India, South Africa, several countries of the British Commonwealth in East and West Africa, the United Kingdom, France, Norway and Sweden. In the United States, Federal Milk Marketing Orders and similar measures covering other commodities, as well as government purchases of agricultural produce for the purpose of price maintenance, though differently organised, have a somewhat similar effect. The commodities controlled by marketing boards or comparable systems in different countries include grains, dairy produce, meat, wool, eggs, fruit and vegetables, cotton, cocoa, coffee, wine and fish.

Most of these commodities are, to a greater or lesser extent, handled by co-operatives, at least at primary level, and the relation of these co-operatives to the marketing board concerned is thus of great importance to their development. There are countries, of which the United Kingdom is a notable example, where marketing boards have been set up without reference to existing or possible producers' co-operatives, which are treated on exactly the same footing as private traders. In a few countries (e.g. Nyasaland) co-operatives have not been allowed to handle commodities controlled by boards, which work through their own agents. More frequently, however, the boards are prepared to favour co-operative development, using co-operatives as crop collection agents and as a channel for advance payments to growers, providing access to loan capital for the establishment or modernisation of plant and premises, and often giving them monopoly rights to handle at least the first stage of marketing in an assigned area. This may happen with a state-controlled crop, even if no board exists (e.g. sugar factories in India). Not infrequently the establishment of a board was in fact the result of pressure from existing producers' co-operatives, which, while handling perhaps 80 per cent. of the crop on a voluntary basis, were unable to proceed to the complete rationalisation of marketing and equalisation of prices while a dissident minority threatened the stability of the scheme. In such cases the national federation of marketing co-operatives may in fact carry on the functions of the

marketing board, usually with some form of ultimate parliamentary or ministerial control which ensures that powers are not abused nor the interests of consumers adversely affected.

544. Among the more important marketing organisations which are basically co-operative but enjoy certain statutory powers, are the Fish Marketing organisations of Norway and Sweden, the Agricultural Marketing Boards of Norway and Queensland, and the New Zealand Dairy Board, the Milk Marketing Orders ("in practice developed round a marketing co-operative") of the U.S.A., the Co-operative Wine Growers and the Citrus and Dried Fruit Boards of South Africa, the Currant Board of Greece and the Wheat Boards of France and Canada. Marketing Boards, which work with co-operatives, even though the latter control only a part and sometimes a small part of the commodity, include the French Wine board, the West African Cocoa Boards, the East African Coffee, Cotton and Pyrethrum Boards. In some countries (e.g. the Netherlands in the field of horticulture) although there are no boards, statutory powers to control export channels and acreage under given crops, have operated to the advantage of co-operatives exercising a near-monopoly of the product.

545. The effect of marketing boards on co-operatives has not been the same in all countries. In a few the effect has been discouraging. However, in general, the compulsory marketing boards and the voluntary co-operatives are not competitive but complementary in nature. In some countries the existence of such boards has put great power into co-operatives' hands. It may be said that boards have generally provided a protective shell within which marketing co-operatives could grow more rapidly than they would have done if exposed to the full rigours of competition or if obliged to rely solely on their own capital resources.

### PART III. Economic and Social Significance of Co-operation

#### Chapter 1

#### Co-operatives in the National Economy

##### Quantitative Share of Co-operatives in Different Sections of National Economy

546. Apart from agricultural marketing throughout most parts of the world, and in Europe and North America, Japan and Israel, other branches of national trade banking and insurance carried on by co-operatives, it is not possible to quote firm informative figures of co-operative participation in various branches of the national economy. Table 4 in Part I, Chapter 3, is illustrative of the considerable proportion of agricultural products marketed co-operatively and if one takes into account the marketing activities of collective farms and the procurement activities of rural consumer co-operatives in Eastern European countries the over-all proportions are even more impressive.

547. The co-operative share in the total national distributive trade is no more than about 10 to 11 per cent. as an average in Western Europe though with the predominance of the sale of foodstuffs (illustrated by table 3 in Part I, Chapter 2), the proportion of national trade in foodstuffs handled by co-operatives is considerably higher than that of other commodities (as Sweden, 26 per cent. compared with 15 per cent. of the total distributive trade). In Eastern Europe, rural distributive trade is often a co-operative monopoly but only in the U.S.S.R. and Poland are consumer movements permitted in the urban areas. Apart from Japan and Israel (25 per cent. retail, 28 per cent. wholesale), consumer co-operation has made little impact yet in terms of a proportion of the national trade in Asia and Africa.

548. In the supply of agricultural requirements Israel co-operatives account for 75 per cent. of the national trade. In Western Europe the average proportion of the supply of fertiliser and feeding stuffs distributed (and often manufactured) co-operatively is about 50 to 60 per cent. Elsewhere, as in North America, the proportion is much smaller. In the developing countries of Asia and Africa the total trade in agricultural requirements has not been great but a high proportion has been carried on by co-operatives acting sometimes, as in India, as agents for government and especially of state-owned fertiliser factories. Peasant members are beginning to rely in many developing countries on their co-operatives for the supply of seeds, seedlings, hand implements and insecticides.

549. Many co-operative movements have been based on the simple banking functions of thrift and credit and in several countries have obtained significant proportions of national agricultural or industrial savings (e.g. Japan, 30 per cent. of agricultural savings, Sweden 26 per cent. of total savings, Taiwan and Turkey, 20 per cent. of total savings). However, meaningful statistics are not readily available and those figures that are available are often incomplete. It should be noted that in many European countries co-operative banks are among the most important national banking institutions.

550. The co-operative share in the grant of agricultural credit is high in such countries as Germany (63 per cent.), France (60 per cent.), Sweden (50 per cent.) and Japan (42 per cent.). Other countries with substantial agricultural credit movements in Western Europe have no available comparable figures. Elsewhere, the actual amounts, as in the United States, Canada and India, are actually large but proportionately low. The Rural Credit Inquiry of India in 1952, put co-operative credit at no more than 5 per cent. of all loans to the farmer. Co-operative participation in industrial credit is considerably less.

551. Whereas national co-operative insurance organisations in Western Europe, Canada, the United States and Japan occupy an important and respected position, there are few expressions of such importance statistically. Notable examples of co-operative participation in insurance include 50 per cent. of all agricultural risks in the United States and in Western Germany 28 per cent. of all property risks.

552. The total agricultural land under co-operative or joint cultivation depends from country to country on the government policy regarding land tenure. Large tracts of such countries as China, Czechoslovakia, Bulgaria and other countries where state policy is collectivisation, are now being jointly cultivated. In Israel, 60 per cent. of all agricultural land is held on some sort of co-operative tenure, although much of it is worked in individual holdings. The same is true of Mexico, where the collective ejido farms only a small part of the total area. In Egypt 40 per cent. of the arable land has become co-operatively managed largely through schemes of agrarian resettlement and reform. Elsewhere, although the area of land under some form of co-operative management may be substantial (India, Japan), it comprises a very small proportion of the total agricultural area.

553. There is no comprehensive information concerning the total co-operative share in such specialised activities as housing and industrial production. However, isolated examples show that in Germany 11 per cent. of all housing and 35 per cent. of all state-assisted housing is co-operative and that in Norway the percentage of all housing is 15 to 19 per cent. In Eastern Europe there are extensive industrial activities which account in Czechoslovakia for about 15 per cent. of the various light industries and services, and in Poland for about 13 per cent. of the total industrial production.

#### Recent Trends and Future Prospects

554. In Western Europe co-operative trade has steadily increased in value but it has as often as not been little more than a function of a general increase in the volume of business and the level of prices. The co-operative movement, at least in some of the countries where it first developed and where it occupies the largest share in the national economy, is increasing more slowly than in former years. However, in such countries, in some fields in which co-operatives were late starters (as, for example, in the United Kingdom in the agricultural field) progress in the last ten years has been proportionately much more rapid.

555. The future for co-operation in the highly competitive economies of such countries depends on the power of the co-operatives themselves to compete with other forms of business, to adjust their traditional methods and objectives to the needs of the mid-twentieth century with, in Europe, its relatively well-distributed wealth and social equality and so appeal to members and potential members through superior service as well as through the moral attraction which co-operation offers. There are indications that this position is increasingly understood among Western European co-operatives and that new lines of development, of business and scientific techniques, sales methods and training programmes are taking such factors into account. There are, of course, individuals and groups within the movement resistant to change, and the very completeness of co-operative success in some fields may well inhibit progress. These are the danger points which a mature co-operative movement has to face if it is not to be equalled or outstripped by the new development of private business or, in some countries, the trading enterprises of the State or of statutory bodies.

556. In most of the American continent, in Australia and South Africa, the position is much the same as in Western Europe, except that in all these countries agricultural co-operation predominates, and the consumers' movement is, except for a few long-established societies in mining areas, still virtually in the pioneering stage, with most of its opportunities before it.

557. The future of co-operation in countries of Eastern Europe will depend on its efficiency in considerable measure. In this context, efficiency will mean not so much its ability to compete with private trade (except for example, in parts of Poland) but rather the impression made on State planning authorities as to its success in carrying out the role assigned to it, all or part of which might otherwise be reallocated to some other branch of the economy as has happened in the U.S.S.R. on previous occasions.

558. In much of Africa and Asia, (apart from Japan and Israel which resemble Western Europe) the co-operative movement is almost unlimited in its opportunities for growth. The movement, apart from, in some countries, the marketing of agricultural products, is at an early stage of development and includes only a small minority of the population. It is still dealing with conditions of poverty and exploitation such as brought the European movement

into being a century ago. However, although there are no limitations imposed by law or policy on its spontaneous expansion, the development of co-operation does in fact depend very largely in these countries on the moral and material encouragement as well as on the supervision and guidance of the State.

559. In most of such countries government aid, advice and encouragement have been substantial and generous, and co-operatives figure largely in many economic development plans. Not all the uses of the co-operative method for national development have proved equally successful, as for example, consumer co-operatives, which declined when the artificial stimulus of monopoly over the distribution of rationed goods was withdrawn, and co-operative or collective farming, the results of which have fallen below expectation in some countries.

560. The co-operative movement in its various branches is expanding rapidly in many of the developing countries, and the numbers of those who understand and believe in its methods grow steadily. It is nonetheless doubtful if it would not lose momentum if the motive power of government backing were suddenly withdrawn. It may be noted that in parts of Central and South America where the economy is relatively undeveloped, the lack of strong government backing has sometimes retarded co-operative growth.

## Chapter 2

### Effect of Co-operation in Increasing National Production and Capital Accumulation

561. All national co-operative organisations and most government departments concerned with co-operation are convinced that it has contributed substantially to the increase of national production. This is especially true in agriculture, where the opening, through co-operatives, of more profitable markets, has stimulated production and credit which, together with the supply of fertilisers and other requirements at reasonable prices, have all led to intensification of agricultural methods. In many countries, especially in Europe and North America, co-operatives have combined these two methods by studying the demands of the market for meat animals of a particular conformation, milk of a stipulated fat content, fruit and vegetables of a given appearance and flavour, and have then provided their members with the foundation stock, feeding-stuffs, fertilisers, insecticides, needed to produce the desired commodity. Elsewhere, as in those parts of Africa where subsistence farming has been traditional, the adoption of cash crops (often brought from other countries) by peasant farmers has often been greatly facilitated by, and in some instances would have been impossible without, co-operative marketing credit and supply. Many countries report an increase both in quantity and quality of agricultural output due to co-operation but some regard improvements in quality as more important co-operative achievement.

562. The consumers' co-operative movement is not so well placed to increase the volume of national production except by increasing effective consumer demand. Some co-operatives have, however, pioneered new industries, and nearly all, especially in Europe and North America, have always aimed at improving the quality and purity of goods sold. In recent years they have played a prominent part in testing, in the laboratory and by other means, a whole range of goods offered for sale in their shops. By introducing the competitive element with private traders, in some countries, they have contributed to a rise in the general level of the distributive trade. Housing societies have of course increased the national stock of houses and in many countries have been a major influence in the improvement of the quality of housing.

563. In the field of capital accumulation there seems no doubt that the co-operative movement in all its branches has made a substantial impact on national economy. This, of course, is true chiefly in the countries where the co-operative movement is mainly self-sufficient and does not itself depend on public funds. In all the countries of Western Europe and North America, the co-operative movements, consumers, agricultural and industrial, have induced millions of people of small means to practise thrift and to deposit their savings in credit societies, the deposit accounts of consumers' activities, or simply in the share capital of agricultural and other types of co-operative. The sums realised in this way are for the most part productively invested either in co-operative undertakings or in the individual farms and businesses of co-operative members, and are very large indeed. If no co-operative had existed, some part of this might have found its way into governmental or other savings banks, but much of it would never have been saved at all. In agriculture in particular, any form of savings, other than the co-operative, would almost certainly have been drained away from the country and reinvested in urban industry, thus increasing the capital imbalance between town and country which is a feature of many countries.

564. In developing countries it is true that capital accumulation based on members' shares and deposits is still small, and co-operatives may rely heavily on funds borrowed from other sources. For some time in the future it is only from the agricultural sector that capital accumulation can be expected in these countries. However, without co-operative organisation it is doubtful whether the many small farmers would have produced their already not inconsiderable capital. It is true to say that in such countries there may have existed no habit or tradition of thrift. Perhaps poverty has been too extreme, perhaps a money economy has hardly developed, and any cash that has become available is immediately spent or hoarded in houses. Probably there has been no person or institution to which savings could safely be entrusted and in any case the potential depositor has shunned publicity and prefers a hole in the ground. Any organisation which can lay even the foundations of thrift among people to whom the idea is so unfamiliar is doing a valuable public service which may well be of great national importance in the future.

565. Co-operative societies themselves accumulate capital through their contribution to reserves. This contribution is often much greater than appears on paper because of the value of the investments in buildings and plant being often much greater than the "book" value, in that most societies pursue a policy of rapidly depreciating such assets in their accounts. In developing countries co-operatives often invest heavily in buildings which can then be used as security for temporary loans required for such purposes as the movement of crops.



### Chapter 3

#### Effect of Co-operation on Standards of Living

566. It seems to be generally agreed that co-operation, wherever it has made appreciable progress, has contributed substantially to raising standards of living. Co-operation has achieved this in the field of marketing by ensuring, through the elimination of unnecessary profit-taking agencies in the stages between cultivation, catch or manufacture and eventual sale, that the farmer, fisherman or artisan, gets as large a proportion of the total value of his product as possible, thus materially increasing his spending power. Or, in the consumer and supply fields living standards have been raised by reducing prices to economic levels and providing good quality goods and services, thus increasing the purchasing power of members and making sure they obtain full value for the money they spend. In countries without powerful consumer movements primary benefits have often been confined to farmers and fishermen. However, in many such countries the bulk of the population is in fact agricultural and its increased spending power quickly stimulates trade, transport and other services, as has been strikingly illustrated in parts of East Africa.

567. Consumers' co-operation is always aimed at raising the standard of living of its members. This has been achieved in the main through reduced prices, by charging less or by returning a substantial bonus on purchases made. This reduction in prices is probably still the most important service which a consumer co-operative can give a developing country. However, in some highly-developed economies increased spending power produced by high earnings has made the level of prices of less importance than the quality of goods sold. Co-operatives in such countries are actively concerning themselves with the quality of the goods for sale, and with seeing that such goods are unadulterated and accurately described. Often they have taken the lead in advanced research in and out of the laboratory, to supply the best article in each class, and to educate their own members to prefer and select it.

568. Cash trading, one of the original basic principles of early co-operators, is still of great importance particularly in the consumer movement. It is a way of teaching people to buy according to their current means. If it can be enforced, it undoubtedly lowers the price of goods and allows the co-operative to carry on with much less risk and a smaller capital outlay. For many decades, in the early and middle periods of their development, European consumer co-operatives successfully held to this policy, to the great benefit of their members, and to the societies as business organisations. In recent years there has been in some countries (for instance the United Kingdom), a tendency to modify this policy in favour of some form of controlled credit, especially for the purchase of the more durable and costly objects. Several forms of co-operative hire purchase have appeared, supported by the now substantial capital resources of mature co-operative movements. Alternatively, in countries with strong rural or urban credit movements, the consumers' store may remain on a cash basis, but there may be considerable borrowing from co-operative sources for personal expenditure. In developing countries, the habit of purchase on credit is ingrained, and is often fostered by traders who thereby get a lien on the crops which the peasant has to pledge as security. Because the peasants are thus tied to them for the purchase of supplies many traders have been able to sell goods without due regard to quality, weight and price. This tradition of credit is one of the main obstacles to the spread of consumers' co-operation in such countries, and much education will be needed before members are persuaded that their standard of living depends not only on earnings, but on wise spending, on the purchase, that is, of reliable goods at prices which do not include extravagant rates of interest on unpaid accounts.

569. All co-operative thrift and credit movements whether or not they are linked with consumers or agricultural supply co-operatives, work for the reduction of interest rates and so increase purchasing power. They also serve customers hitherto neglected by non-co-operative banks and credit institutions because their custom, including the size of the loan they might ask for, was so small. By their careful consideration of the purpose of all loans granted these societies can also train their members to the prudent use of money. In several countries, such as Switzerland, Sweden and the United States of America, co-operative insurance societies have been among the pioneers in their field. They have been one of the means of popularising insurance and thus extending the benefits of social security often through reduced rates of premium.

570. Housing societies contribute to raising the standard of living in two ways. First, they provide houses at rents (or mortgage payments) which have been carefully calculated in relation to their members' earnings, so that they can be paid without sacrifice of other vital items of expenditure. Secondly, they provide services, amenities and aesthetic conditions which in themselves tend to raise the standard of living of the occupants. In many group housing schemes there are communal services which either save labour and inconvenient or unhealthy uses of the home (e.g. laundries), or are directly cultural, such as libraries, meeting halls and parks. In the United States of America in particular, co-operative organisation, with the help of government finance, has been a major factor in the spread of electrification and telephones to rural areas.

571. In the past, the basis of the co-operative ability to reduce prices and improve quality was the elimination of profit, which was and is the necessary objective of private trade. With the increase in the efficiency, scale and integration of all forms of business in economically-developed countries, the profit margin tends to be narrower than it was, and much less easy to cut by simple co-operative action. Most co-operatives in such countries are now devoting much thought and research to improving their own internal efficiency, with a view to passing on the resultant savings to their members. This is a matter of the highest importance for the future of the co-operative movement.

## Chapter 4

### Contribution of Co-operation to National Income

572. It is assumed that in this context national income means the revenue of the State, since any question regarding the income of individuals has already been dealt with under standards of living (Chapter 4). As regards direct taxation, it has already been explained that co-operatives in many countries enjoy certain tax exemptions, though these tend to become less in many economically-developed countries. Although one of the apparent privileges, the payment of tax-free bonus on business done, is in many countries also open to private traders, they very rarely act in this way, and the members of co-operatives, as distinct from other citizens, are therefore in receipt of income, substantial in the aggregate, but distributed in sums individually too small to attract income tax.

573. Against this loss of revenue, which undoubtedly takes place, though estimates of its volume depend on too many hypotheses to be calculated, must be set not only the many taxes on property, imports and turnover, which co-operatives still pay, but the new wealth which they have undoubtedly created in many fields, especially in agriculture, and the new taxable income which they have put into the hands of individuals. These are in the main members, but, especially in developing countries, co-operatives have often set up industries and services where none existed before, and so created employment at various levels, the development of new wants and the means to satisfy them in areas where little but a subsistence economy has previously existed. All this in turn has provided and continues to provide new taxable wealth.

574. In a few countries co-operatives have played a special part in local taxation for regions where a small personal tax is disproportionately costly to collect. Marketing co-operatives have sometimes been asked to deduct a levy from the price of produce delivered, which is then transferred to the local authorities for expenditure on roadmaking, the building of schools and other public services.

575. In developing countries, and in countries now fully developed but dependent on foreign markets, co-operatives have often made a special contribution to national resources by building up national export trade, particularly in agricultural but sometimes also in fishery products. This has helped to keep the balance of payments in equilibrium and, in more recent times, has provided much-needed foreign exchange. In a highly competitive world market, trade of this character would probably never have been created or maintained without the discipline of quality, grading, punctuality and efficient handling which only national co-operative organisation could impose on thousands of small producers. In many countries it is also only the fact that producers speak with one voice and are prepared to accept one discipline that has made it possible for governments to negotiate favourable trade agreements, especially those involving the restriction of exports, and sometimes of production, to agreed limits.

576. Co-operatives in many countries also contribute to national resources by investment in government loans, but it is impossible to estimate the sums involved, or their importance in national economy. Such investment may seem strange in view of the need for capital in nearly all branches of co-operation, but much co-operative capital has to be kept relatively liquid. This includes part at least of the premium income of insurance societies, as well as sight deposits of members in consumers' and other societies. Other co-operatives may be accumulating a development or building fund which they may not need for some years, but want to be able to realise without hindrance or delay when the time comes. In some countries this kind of investment in government securities may be considerable; while elsewhere it is of little significance. In countries of state-planned economy, as the U.S.S.R. and elsewhere in Eastern Europe state banks represent the only institutions where investments can be made, as in general no independent commercial or co-operative banks exist. Also, as co-operative societies often have monopolies within a certain sector of the national economy their investments from surpluses made in that sector are of great importance to state finance.

## Chapter 5

### Contribution of Co-operation to Implementing Changes in Land Tenure

577. We have seen in Part I, Chapter 3, that the numerous schemes of land reform in Italy, Egypt, India and elsewhere have usually been accompanied by co-operative organisation of some kind. This co-operative organisation has often been a major contributory factor to the success of such reforms.

### Co-operation as the Machinery of Change in Land Tenure

578. There are cases in which co-operatives have been formed solely in order to effect a change in land tenure, unaccompanied by changes in land management. The most notable examples are the co-operatives for the consolidation of fragmented holdings in India and a few other countries, where the object of forming a co-operative was to secure voluntary agreement to change and to carry through the technical process of reallocation, redrawing of maps and registration of new titles.

579. Also in this category are the tenancy societies which substitute collective for individual agreements with a landowner, or in some cases buy land or receive it from government (Japan, Thailand) and lease it to members without interfering in the individual management of holdings. In India, land surrendered under the land gift movement led by Vinoba Bhave, is often distributed in this way to the landless.

### Joint Management of Land

580. If all forms of collective farming are accepted as in some sense co-operative, in spite of their generally compulsory character and other unco-operative features, it is difficult to state definitely what is their national importance, since many countries, as for example the U.S.S.R., also cultivate a considerable area in state farms, where there is no workers' control nor profit-sharing, and consequently, no element of co-operation, while in others, such as Poland and Yugoslavia, the "private sector" in agriculture is still predominant, and has its own co-operative institutions which are only marginally, if at all, concerned with land management. It is, however, certain that collective farming, established as a result of national policy, accounts for a very considerable part of the agricultural land and the agricultural population in some parts of the world.

581. The only country in which the joint management of land has been voluntarily adopted on a sufficient scale to make it of national importance is Israel, where some 60 per cent. of agricultural land is in some degree co-operatively managed. Much of this, however, is worked in individual holdings, with co-operative services and rather general forms of co-operative control. In other countries, India, Mexico, Italy, where voluntary co-operative or collective farming has been the subject of fairly intensive experiment, it still remains statistically of minor importance nor does there seem much prospect of its rapid extension.

582. The various schemes for the partial joint use of land are less widespread, but may well be one of the growing points of future co-operation. Likewise, some of the plans for vertical integration involving a strong element of land management may well continue to develop on a co-operative basis in the future.

### Land Settlement with Co-operative Services

583. Land settlement may mean the break-up and transfer of large estates into small holdings, as in Denmark and Ireland in the nineteenth century, in much of Eastern Europe immediately after the First World War, or as in Italy and Egypt within the last few years. It may, alternatively, mean the opening up of new land by means of forest clearance, drainage and irrigation, as in Japan, India, Ceylon and parts of Africa. This process has been going on for some time, but was intensified after the Second World War by the need to settle large numbers of refugees (India, Japan) as well as to accommodate growing populations and increase food supplies. In some countries, especially in Africa, there has also been a move towards the closer settlement of tribal land, the definition of farm boundaries and the granting of freehold rights to individuals.

584. Wherever such schemes have succeeded in their object of establishing a prosperous and independent population of peasant proprietors, they have been accompanied by a vigorous growth of co-operative societies for credit, supply, marketing and other purposes. In the earlier land settlement schemes in Denmark, Ireland, Czechoslovakia and elsewhere, the distribution of land and the growth of co-operation were concurrent but not administratively linked. In some of the more recent schemes in Japan, India, Ceylon, Thailand, Israel, Egypt, Iraq and Italy, membership of a co-operative has been a condition of access to a holding. The co-operative, at least in its early stages, has been subject to a greater or less degree of official influence, and this influence has in some cases also extended to land management. The aim, already achieved in some countries, has, however, always been in the direction of a diminution of state influence and the emergence of a population of independent farmers making spontaneous use of a comprehensive co-operative system wholly under their own control. The national importance of co-operation in this connection can be measured by the proportion of land which has been settled. In most of the recent schemes this is considerable in itself, but not as a rule more than a fairly limited percentage of the total agricultural land of the country concerned.

## Chapter 6

### Contribution of Co-operation to Social Progress

585. The direct contribution of co-operation to social progress is somewhat limited apart from its basic achievement in raising the standard of living. Co-operative clinics, hospitals and maternity services are doing excellent work, but they are relatively few in number and confined to a few countries. The same may be said of co-operative schools, libraries, reading rooms and village halls. Co-operative supply of electricity and telephones is more widespread though again limited to a few countries; co-operative water supplies and road building are interesting and useful experiments rather than general practices.

586. Co-operative influence on social progress is as a rule indirect, but it is nearly always a conscious influence as the economic benefits brought to the community are extended to other fields of education, health, culture and social welfare. As an indirect influence, co-operation teaches democratic responsibility, creates mutual solidarity and breaks down isolation. New ideas and techniques are introduced and centres are provided around which other activities cluster. Co-operatives are in a position both to press for higher standards in home and farm management and to bring these standards within the financial scope of the member.

587. Most co-operative movements make available funds for social and educational purposes and these are interpreted in a very wide sense. Many societies offer communal services the aim of which is as much social and educational as economic. Many co-operatives, particularly in Europe, make a point of supporting new social legislation and seek to set an example to private employers in their treatment of employees.

588. Members participating actively in their co-operative learn about business operations in terms of balance sheets, operating statements, business terms and practices. As owners, the members acquire a feeling of responsibility and recognition. Their participation in public projects tends to be active rather than passive, and they appear more ready to sponsor projects such as youth programmes and adult education.

589. Co-operation brings together people with varying economic and political views and provides an avenue of participation in the pursuit of common goals. This all tends to minimise the differences between people and helps them to realise that human needs and desires are similar, regardless of education, national background or social status. The co-operative method of running affairs by mutual discussion on an equal footing, and by a democratic voting system in cases of disagreement has helped to arouse in men and women a sense of their own dignity, to inculcate mutual respect, and in many countries, like India, to break down the barriers of caste.

590. In many of the developing countries in particular, co-operatives have become the social centres for their region. Such a centre may be no more than the growth of a new village round a cotton ginnery, but is of great importance as an extension of village life to areas where before it never existed.

591. In all countries where there are co-operative movements, societies have contributed to the cause of education either by building schools, halls and clubs, or by helping to endow colleges run by the movement as a whole. Some have made grants from their funds to public libraries and instituted scholarships. Many contribute to the education and propaganda carried on by their central unions. Most movements have their own co-operative journals, leaflets and other publications.

## Chapter 7

### Contribution of Co-operation to National Political Development

592. Not many co-operatives have any deliberate connection with politics; most follow the Rochdale principle of political neutrality and many are expressly excluded by law from political activity. Though not always easy to demonstrate conclusively, it seems clear, however, that in many countries they have had a certain influence on the political development by (a) providing practice in democratic procedure in the conduct of meetings and the election of officials; (b) increasing the understanding of basic economic, financial and legal concepts; and (c) training leaders who may afterwards play a part in local or national government.

593. In Europe this phase belongs to the fairly distant past. Co-operation developed in politically mature societies and was itself one aspect of a movement towards wider freedom, democracy and social justice. It did in the nineteenth and early twentieth centuries contribute to the political education and experience of classes and nations who lacked opportunity to take full responsibility for national affairs. In several European countries the consumers' co-operative movement in particular, made an incalculable contribution to the training of industrial workers for civic and political responsibilities. It gave similar opportunities to women, who were excluded from public life up to the end of the First World War, as well as to all those, however well or ill-educated, who belonged to subject nations such as Poland or Czechoslovakia, which did not emerge into full statehood until the same period. In such countries, indeed, national liberation sometimes meant that the co-operative lost many of its leaders to provide the Ministers and senior civil servants needed for national self-government. Now that most European countries have systems of universal education designed to give full opportunity for talent, this role becomes of less importance and probably co-operative movements now produce no more political leaders than any other section of the community.

594. In countries where political experience is not of such long standing as in Europe, and most noticeably in some of the developing countries of Africa, the co-operative system has served the important function of training in parliamentary democracy. First parliamentary elections have in general been a perfectly familiar procedure to the population in areas where co-operation is widespread. Many leading co-operators have risen to national status and occupied positions of power and prestige. As members of committee they may have learnt the art of controlling staff. They may have gained their experience of men and affairs in the chairmanship or management of co-operative societies and unions and from the opportunities of further education abroad provided by their co-operatives. In 1961, in Tanganyika, five out of eight ministers had co-operative backgrounds, and two had been general managers of large co-operative marketing unions. Officers of co-operative departments have in many developing countries risen high in the national Civil Service and retained an interest in co-operation while handling questions of finance, education or foreign relations.

595. Co-operation may be claimed without exaggeration as a nation-building force. Individuals realising their ability to achieve economic democracy become alert to political responsibilities. An increased interest in political affairs may also arise from increased economic knowledge. Co-operators, coming to realise the significance of political action may participate more actively in public affairs, democratic methods become acceptable methods and then instinctive. Co-operation thus provides an alternative to dictatorship, which may persist not only in its own sphere but as an active mental concept, even during periods when civil liberties are weakened or suppressed.

## Chapter 8

### Relations between Co-operatives and Other Non-governmental Organisations

596. Friendly Societies. These organisations, also known as "mutual" associations, were part of the machinery evolved by the industrial workers of the nineteenth century to provide for the emergencies of life and to keep their families from becoming destitute. They took the form of "Burial Clubs", Sick Benefit Societies and Organisations, some of them with numerous branches or with local organisations grouped in federations, aiming at general mutual aid. They covered some of the ground which was later occupied by national social services, and when the latter were in their early stages, the two often overlapped.

597. Organisations of this kind served the same public as the early consumers' industrial and productive societies, and often had similar if not identical membership. In some countries (for example the United Kingdom) they were supervised by the same department of government and registered under a very similar law. It was natural that the two movements should have close and friendly relations and should be represented at one another's congresses, while the consumers' movement often acted as banker for the funds of friendly societies. It is doubtful if the tie is so close today or indeed if the friendly society movement, which has been confined to Europe and Australia, has anything like its former importance since the development of advanced social services.

598. Trade Unions. In the early years of industrialisation in Europe, consumer co-operatives and trade unions were the twin buttresses of the industrial workers' position. (Party political action usually came rather later.) Trade unions sought to raise wages, consumer co-operatives to make them go further. Industrial productive societies offered an alternative to exploitation or unemployment. The two movements had, in the main, an identical membership and sometimes identical leaders.

599. In the circumstances, a close and friendly link developed between the two. The consumers' co-operatives banked for the trade unions (as in the United Kingdom), or the two movements together set up joint workers' banks, as in several countries on the continent of Europe. Co-operative banks lent money to trade union strike funds, sometimes in countries other than their own, and many co-operative stores allowed the families of trade unionists on strike to buy on credit while the strike lasted, sometimes ruining themselves in the process. This link persisted, though with the growth of both bodies in power and wealth, relations have called for less risk and less heroism.

600. With the passage of time, however, consumers' as well as other types of co-operatives have themselves become large employers of labour. At first most of their employees were the sons and daughters of members, but quite apart from such personal links, they were determined to be model employers and to set an example to other firms. They were naturally ready to work with the employees' trade unions, and some early made trade union membership a condition of employment. These ties of mutual sympathy have not wholly eliminated the basic employer-employee relationship implicit in the situation, and though no major clashes seem to have occurred in any country, co-operative labour relations still call for at least as much thought and imagination as they receive from the best private firms. In other types of society the aims of the co-operative may differ considerably from those of a trade union. For example, the members of workers' productive societies and the worker-members of transport societies are usually "Self-employed" and wage disputes and other action by trade unions may not always be seen to be in the best interests of such members.

601. An unusual co-operative trade union relationship is shown in the Norwegian fishing industry, where it was fishermen's unions which preceded any large-scale organisation of co-operatives, and by their influence secured the passing of legislation conferring on fishermen's co-operatives the control of all first-hand sales of fish. In the German fishing industry



a joint enterprise of the consumers' co-operatives and trade unions has been established known as the Gemeinwirtschaftliche Hochseefischerei Gesellschaft (G.H.G.)(i.e. the Non-Profit Deep Sea Fishing Company).

602. There is no special co-operative trade union link in agriculture. Farmers' co-operatives with large paid staffs usually have a working arrangement with any trade unions of which their employees may be members, but only for purposes of negotiation and the handling of grievances. Trade unions of agricultural labourers rarely, if ever, have any connection with farmers' co-operatives.

603. In a few countries outside Europe (for example Mexico and Colombia) there is a link between trade unions and co-operatives. In a few countries, in South America in particular, trade unions and professional associations run their own co-operatives.

604. Farmers' Unions. Relations between agricultural co-operatives and farmers' professional unions (which may exist under other names, such as farm bureaux or agricultural syndicates) are often complex. Such unions are characteristic of Western Europe, North America and other overseas countries settled by Europeans, but less common elsewhere. Their usual function is to organise agricultural opinion and bring influence to bear on governments and public opinion, in the interest of farmers. Some preceded and others succeeded co-operative organisation. They often draw upon the same membership. Partly leadership, partly financial resources usually decide whether it is the farmers' union or the co-operative that exercises most influence in public affairs. In some countries co-operatives and farmers' unions work closely together and the co-operative movement owes much to the advocacy of the farmers' union. Elsewhere they are to some extent rivals, and may pursue in some measure divergent policies and even carry on competing trading enterprises. In some countries there is both a farmers' union, representing large farmers and working more or less closely with the agricultural co-operatives, and a small-holders' union working with the consumer co-operatives. The general tendency appears to be for farmers' unions to be powerful while co-operatives are in their initial stages, but for the positions to be in some measure reversed when co-operatives have reached the stage of exercising not only influence but real economic power.

605. Political Parties. The great majority of national co-operative movements whether agricultural or industrial are politically neutral, and can therefore have no connection with political parties. There are, however, a few exceptions. Since 1916, the British consumers' co-operative movement has run a political party of its own, the Co-operative Party, which works in close collaboration with the Labour Party. In Belgium there is also a close link between the consumers' co-operative movement and the Socialist Party. In countries with one-party systems of government the co-operative movement is usually closely associated with the ruling party. This association may extend to the formal incorporation of the movement into national organisations (as in the syndical organisations of Spain) or the movement may be used as one of the many instruments for inculcating party views and programmes.

606. Churches and other Religious Bodies. The rules of most co-operative organisations, backed by the majority of co-operative laws, enjoin religious or rather sectarian neutrality. This is commonly observed, but again, there are exceptions. The Belgian Peasants' Union, which has a number of co-operative institutions, and serves as the parent organisation of numerous primary co-operatives, is closely linked with the Catholic Church. So is the corresponding movement in the Netherlands. Credit movements in Switzerland and a few other countries have a strong Catholic allegiance. Catholic parishes and missions have been very active in sponsoring the credit movement in the Caribbean, Latin America, and some parts of Australia. On the other hand, credit co-operation has not always commanded the confidence of the population of Muslim countries as the element of interest involved is contrary to the religious principles of Islam.

## Chapter 9

### Influence of Co-operation in Public Affairs

607. The influence of co-operation in public affairs is very considerable in Western Europe and North America on all topics with which co-operation is actively engaged, such as agriculture, fisheries, the cost of living, food distribution, imports and exports, monopolies, taxation, housing, the distribution of industry and in some countries broadcasting and other cultural matters. Influence is exercised by direct approaches to the government department concerned, usually by the co-operative union or through contacts with members of parliament, not necessarily of any one party.

608. The co-operative movement is also represented on a large number of government boards, councils and other statutory bodies. The Swedish co-operative movement, for example, is represented on the National Agricultural Marketing Board, the National Institute of Consumer Information, the National Price and Cartel Office, the Board of the Swedish Broadcasting Corporation, the Scandinavian Commission on Cultural Questions and the Monopoly Commission. The Austrian movement is represented on the President's Council of Chambers of Agriculture and Industry, and on national bodies concerned with savings, pensions, credit to industry and housing. The French movement holds five seats on the Economic and Social Council and the agricultural credit movement participates in drawing up the four-year plans for the re-equipment and modernisation of agriculture. Agricultural co-operatives are also represented on national marketing boards. In Belgium, all branches of co-operation are represented on the Central Economic Council. The list could be extended. In several European countries there is also a specific National Co-operative Council, a statutory body on which the co-operative movement itself is strongly represented.

609. Elsewhere, the co-operative movement has not as a rule been accorded so much formal representation in national affairs. However, in many developing countries, in Africa in particular, co-operatives are represented on agricultural marketing boards and sometimes on regional political advisory bodies. In Eastern Europe co-operatives do not appear generally to have official representation in state councils, but the closest consultation seems to be maintained between, for example, the Council of Ministers and the Council of Farmers' Co-operatives in Hungary and between similar bodies in other countries. In some countries co-operatives have exerted considerable influence on legislation and the administrative attitude to co-operation, but this has been based on contacts with government departments and politicians rather than through membership of statutory bodies. Elsewhere co-operatives may be consulted by government and are frequently invited or pressed to contribute to the fulfilment of government plans, but the initiative would often appear to come from government rather than from co-operatives themselves.

## PART IV. Future Co-operative Development

### Chapter 1

#### Co-operative Principles in Modern Developments

610. Co-operation has travelled a long way from the Pioneers of Rochdale or the peasants of Denmark and the Rhineland a century ago. It has been extended to countries with totally different traditions and social assumptions. It has developed in a period of fundamental and comprehensive economic and social change. It has become in many cases big business, complex in structure, technically advanced and heavily financed. In many countries, it has become interlocked with government policy. Yet most of its simple basic principles still retain much of their original validity and in some instances have taken on new meanings in modern conditions. Co-operation originated in regions where the social ethic was fundamentally Christian and where industry rather than agriculture was the dynamic economic force. Despite this its transplanting to countries with other bases for their ethics where agriculture is still the foundation of the economy and where the reasons for promoting co-operation differ substantially from those that motivated the first co-operators, has not in general called for any comprehensive changes in many of the basic principles.

611. There are, however, certain modern developments which have brought about in some areas, modifications occasionally profound but usually minor, of some of the basic principles; which have caused the continuing validity of some such principles in certain conditions to be reappraised; or which have required a shift in emphasis in their interpretation in order to ensure their usefulness and attractiveness to members and potential members, and to maintain the momentum of progress in the co-operative movement.

#### Membership

612. In general we have seen that the principle of "open membership" is normally only limited by geography or, in certain kinds of societies, to the particular section of the population a society is designed to serve. Other limitations such as race, in some African countries, which arose when sections of the indigenous population were treated as separate entities in plans for economic development, have ceased to be appropriate as such states have acquired independent nationhood. The tendency generally is for such limitations to be deleted from society by laws, as is the limitation, in Kenya for example, for some societies to be "European". Such societies are now being made open to all, irrespective of race. In many countries particularly in rural areas, there is likely to be a move not to confine to a particular section of the population, the membership of some societies, especially those offering supply and services at present to one particular group (example, farmers in the United States of America) in an attempt to enlarge the scale of such services. Likewise in many developing countries, the growth of the multi-purpose society providing facilities for credit and the supply of consumer goods in addition to the present agricultural marketing, service and supply may well lead to the removal of the existing limitation of membership to cultivators only.

613. The establishment of co-operative societies by voluntary initiative has been appropriate in many modern developed economies. However, until recently the principle of self-help has evoked less response in some continents beyond Europe possibly because of the long experience of mainly static economy and of a separation much more complete than in Europe of the activities of production and commerce. The agricultural producer who is the typical member of co-operatives in many parts of Asia and Africa has been ready enough to forgo the commercial practices of voting according to shares or distribution of profit on the same basis, for they are largely outside his experience. But for the same reason he has been often unprepared to show the commercial virtues of initiative responsibility and readiness to prefer future to present advantage. He has been also rather more suspicious of his neighbour than has been the industrial worker, perhaps because the latter was bound to his fellows in a common defence against the employer, while the peasant farmer in some countries has been divided to a certain extent from his fellow villagers by the struggle for land. The absence until recently of industrial development as an economic pace setter has also worked against change and initiative in the

villages and this quite as much as the comparative lack of illiterate men appears to have held back spontaneous co-operative development. Governments have in fact actively promoted co-operatives in such countries. In Eastern Europe, where the economy is state-directed there is an active state sponsorship of co-operative societies. With the movement being assigned a specific role in a sector of the economy and therefore becoming an economic necessity within that sector, it is not unnatural that the formation of societies and the extension of the movement has become more of a matter of state-direction than of spontaneous growth. Thus in many countries, the movement has relied more on government promotion, protection and encouragement than was ever necessary in its country of origin.

614. However, in those developing countries which have gained national independence there is now apparent an upsurge of national feeling which has brought with it a considerable development of the spirit of self-help. In several instances while continuing actively to promote co-operation, governments are also now having to curb and regulate enthusiasm on the part of their people to establish co-operatives which may be inappropriate for reasons of type, function or economic unviability.

615. Many governments in their eagerness to encourage the development of co-operation have introduced certain legislation with overtones of compulsion in it. For example, in many developing countries, particularly those with legislation based on the British model ordinance (and also in some States of the U.S.A.), the minority may be forced to use a co-operative marketing organisation if the majority is already making use of it. Governments may make the co-operative the sole agent for the distribution of goods in short supply; or no other form of business may be permitted in the co-operative's field of operations; or the obligation to join a co-operative may be attached to the right to own or work land in a given area. (This applies especially in collective and joint farming societies and in agrarian reform schemes where land is held by government and only made available to cultivators who become co-operative members. There may or may not be an opportunity to withdraw after a term of years) or government may use the co-operative organisation as the preferred and sometimes sole channel of agricultural or industrial credit, in which case the non-member may be denied such credit.

616. All such measures impinge in greater or lesser degree on the freedom of an individual to choose whether or not to join a co-operative society. How much such impingements on the voluntary principle of membership will increase in the future will depend on the extent that governments may see fit actively to make use of the co-operative method as an integral part of their policy of economic growth. Any tendency towards compulsion and the creation of co-operative monopolies by governments may lead to an increasing number of inactive disinterested members and to a larger proportion of societies' trade being with non-members.

617. In some Asian countries it is considered that certain types of co-operatives cannot flourish without men of influence, knowledge and technical training. Thus in India up to 10 per cent. of the members of industrial co-operatives may be admitted as "sympathisers" and there is similar provision for members of labour contract societies. In Japan up to one-third of the members of an enterprise co-operative need not be employed by the society and private businessmen and traders may be admitted to co-operatives. These practices are somewhat divergent from the original co-operators' concepts of what constituted co-operative membership.

#### Democratic Control

618. The tendency has been and it is continuing, for the scale of co-operative undertakings to increase, especially in Europe and North America. There are now primary societies with membership, of many thousands, while at the same time economic power and decision-making have tended to shift to secondary or tertiary organisation. All this tends to carry the mature co-operative movement away from the basic democracy of the small group taking its own detailed decisions week-by-week if not day-by-day. To meet modern trading conditions, and their complexity will increase not diminish, intricate structures, vertical integration and professional management have become essential if the movement is to hold its place in the economy. Control by a lay committee is not always appropriate and the custom of appointing "professional directors" may well increase.

619. In Eastern Europe, the democratic "lay control" of societies is affected, in addition, by state-control of the over-all plan; of the function of co-operatives in it and of the means, as finance and raw materials, of carrying it out. Initiative and responsibility of members is therefore restricted. Also the selection of society officials is in varying degrees subject to state approval. Whereas in most countries the distribution of surplus funds is left to the discretion of the society's general meeting within the very general requirements of co-operative law, in countries with state-planned economy, the allocation of surplus funds is often circumscribed by very detailed legal provisions.

620. In India, in particular, the active concern of governments for co-operative development has in several instances led them to participate themselves in co-operatives. This participation has resulted in the modification of the principle of democratic management in a variety of ways. Where the state has gone into partnership, by taking up shares in a society, the state nominate directors. The extremes to which this can lead include in Japan, the original constitution of the Central Co-operative Bank for Agriculture, Forestry and Fisheries and in India, the first board of Directors of Co-operative Sugar Cane factories, where the directors have been wholly nominated by the state. Where governments make or guarantee loans to co-operative societies, they may insist on participation on the Board or committee with a resultant weightage of votes in their favour, if they have more than one nominee.

621. The government may through its nominees in certain instances have the power of veto of general meeting resolutions, where government financial or other interests are involved.

622. These modifications of the democratic control principle by government "intervention" are likely to be transitory in Asia and Africa at least. There are already signs of government withdrawal from government share holdings and the option is usually given to co-operatives to buy back government shares in their societies in due course. Withdrawal of government control depends on the ability of co-operatives to be self-reliant and responsible. This ability should increase with more experience, economic development and education. This may, however, be impeded because extensive state participation in the early stages may make it difficult later to withdraw, and get members, accustomed to state assistance and direction, to take over full responsibility for the operation of the society. Furthermore, it is likely in the course of development that societies in the now developing countries will meet the same problem as is already facing movements in countries of a developed economy, namely the challenge of the professional management to democracy and co-operative spirit.

623. This challenge is likely to continue in countries of developed economies, state-planned or otherwise. There arises the danger of "passive" membership. Some living form of democratic control would appear to be needed if the members' interests are to be retained and the social context of the movement is not to be lost. Consideration may well be increasingly given to the necessity of tying in democratic member participation with the interests of efficiency in modern trading conditions. Co-operative movements appear aware of the necessity of increasing vigorous co-operative action by working out new forms of publicity and public relations and also of, on the one hand, member education, and on the other, the training of professional staff in their unique relationship with the Board, which may consist of largely lay persons, and with the "owner" members.

#### Shareholding

624. As we have seen government participation in shareholding may result in the state holding a majority interest in a society. Where the state holds shares in a society of unlimited liability the government shares are usually "preference" shares, being put into a special class in which liability is limited to the value subscribed. These deductions from the principle of equality may be considered as temporary and should only last for as long as such comprehensive government assistance is necessary. It has been noted that in most cases of state participation in shareholding, provision is made for the co-operative society eventually to buy back such shares.

625. In a few isolated instances (example, New Zealand) shares are allowed to appreciate. On the other hand some societies have started without share capital. Generally, interest on shares has a legally fixed maximum. However, in Eastern Europe in consumer movements where societies operate on prices fixed by the state, it has been often considered that distribution in accordance with shareholding is more appropriate than according to the volume of business done.

626. Increased capital needs have led to greater variation in shareholdings of members in many societies. The idea has been put forward particularly in the United States of America that votes should be based on the volume of business done rather than on the one man one vote principle. Generally, however, this principle remains except in the case of secondary societies where the shareholding and number of votes (usually with a stated maximum) vary in accordance with either the membership of the primary society member or its volume of business with the secondary society.

#### Political and Religious Neutrality

627. We have seen (paragraph 606) how some religious bodies have sponsored co-operative development and even assisted in the formation of co-operative societies. Where this occurs, it is inevitable that, in some measure, religious neutrality of some societies will be affected.

628. The concept of political neutrality has often been modified and in several cases (paragraph 605) abandoned. In some instances co-operative movements have found a common interest with the aims of a particular party and have identified themselves with that party to safeguard or promote such interests. In others, states operate one party systems and the co-operative movement has of necessity to associate closely with that party in order to maintain co-operative prominence in economic activity and development. In some countries co-operatives have been officially incorporated into state systems. How far co-operatives will be able or may wish to preserve the principle of political neutrality will depend: (a) on the future political forms of government; (b) on the attitude of political parties towards co-operation; and (c) the extent to which the aims and policy of one political party, rather than another, may appear to be in sympathy with the interest of the co-operative movement of the country concerned.

#### Cash Sales

629. The principle of cash trading, however desirable in theory, has been the subject of much modification in the light of modern trade conditions and practices. Retail credit for farm supplies is in many countries an established practice. Co-operatives are frequently coming to consider how credit giving can be organised as a service. In developing countries, where cash sales have run counter to the traditions of credit and constituted a barrier in the development of consumer co-operation, the link-up in a multi-purpose society of credit, the supply of consumer goods and agricultural requirements and the marketing of the members' products may well facilitate the introduction of limited and well regulated credit. In countries with modern developed economies where credit and hire purchase facilities are widespread particularly for the purpose of luxury and high-priced articles, co-operatives are often more or less obliged to offer comparable facilities if they wish to compete effectively with other forms of trade enterprises.

#### Price

630. New modern trading practices such as service at cost quantity, discounts and the like, have meant adjustments and variations in price between one member and another. These variations may be expected to increase. The principle of charging the market price has not always proved practical or appropriate in modern conditions. In countries where the law taxes co-operative surpluses in the same way as the profit of joint stock companies, co-operatives inevitably put their prices as low as possible to cost. Where the co-operative controls a substantial slice of retail trade its own policy will inevitably affect the level of prices and the charging of a "market" price (i.e. the price charged by the majority of other traders) may merely be interpreted as justifying and wishing to maintain such a price. Having regard to the example of the Swedish consumer movement in breaking monopolies

by undercutting prices, it may be anticipated that the principle of "market" price will be modified to mean "the price best calculated to influence the market price in the interest of the community as a whole"; but even this may be further modified in the light of particular governments' taxation policies.

Promotion of Education and Extended Training

631. This principle remains vital for the maintenance of the appeal of co-operation and for its development, as has been seen in Part I, Chapter 7. Such promotion will undoubtedly have to take different forms with changing emphases to meet the constantly altering demands of modern economic and social development.

## Chapter 2

### The Appeal of Co-operation to the New Generation

#### The Appeal of Co-operation Today

632. Many co-operatives, even in Asia and Africa, are at least a generation old. In Europe they may be three or four generations old. They were often formed to deal with conditions which no longer exist and which may not be at all vividly remembered by the present members. This is obviously true in Western Europe, where the invitation to join a co-operative society in order to escape from desperate poverty no longer has any meaning outside a few exceptional regions, such as parts of southern Italy. In the same way, co-operative action to combat the malpractices of merchants and money lenders has no meaning in Eastern Europe, where private business is absent, or reduced to very small proportions.

633. It is appreciated by most co-operative movements that the appeal of co-operation in countries where the standard of living is high and where it cannot be much altered by co-operative action is in part only the negative one that present standards of living of farmer and consumer owe much to the mere existence of a co-operative movement controlling a substantial share of the economy. This is, however, not a very inspiring case to put before the public and especially before the young. In their publicity campaigns co-operative movements are seeking new grounds on which to base their appeal to members and potential members amongst which appear the following:

#### (i) Principles

The ethical attraction of a form of skilled business concentrating not on profit-making but on the more general conception of a good society and freed from the suspicions of dishonest practices will no doubt only appeal to limited numbers but it is generally recognised that it is those who will become the active supporters of the movement and its most effective future leaders.

#### (ii) Service

Co-operative movements are in many cases using more imaginative and inventive services as an effective method of appeal to the new generation. They are widening the range of goods to cater for leisure as well as necessity and providing better quality goods and more attractive shops. Agricultural societies are in many cases offering the latest technical, financial and advisory services in attempts to provide a foundation for their members' professional lives.

#### (iii) Opportunity

Co-operative movements are still providing unique opportunities for people without special training to take responsibility and make decisions which may become of increasing importance as their own experience grows. They will doubtless continue to base their appeal on being one of the few organisations remaining, in complex modern states with their increasingly centralised systems of planning, in which the individual is still able to make his own creative contribution to economic life.

#### (iv) Community

Many movements are extending the scope of their community interests in the educational, social and cultural, as well as the economic fields. The forms thus offered of mutual friendliness, support in trouble, and common interest will continue to be of great value to a large number of people.



(v) Integration

The integrated character of the co-operative movement, the links between different functional groups, the national and international interlocking, is making, and will continue to make, an appeal to many as institutional and international activities become more common. These aspects will appeal to those whose interests are not bounded by their immediate contacts and who wish to feel themselves involved in a wider world.

634. In the newly developing countries the co-operative appeal still remains closer to that of the pioneer days. The need to combat poverty and exploitation still exists and together with it the need to allow the ordinary man to gain control of his own affairs. Where co-operative movements are fairly well established, they are, in newly independent countries, able to make use of the new spirit of "self-help" and mutual aid fostered by national leaders to develop co-operation in its many forms. Elsewhere, and the feeling is particularly strong in India and Japan, the desire seems to be the withdrawal progressively of government support and a "return" to the original concept of independent self-help and mutual help with the role of government restricted to the creation of conditions available to co-operative development. This change will require extensive co-operative publicity and training but may well occur with the rapidly rising levels of general education.

635. Bearing in mind that the movement can only live and grow by replacing the pioneers with equally devoted successors, many countries lay special stress on attracting youth. This may be done by forming special school co-operatives, by youth movements attached to the co-operative organisation itself, or by arousing the interest of existing youth movements, such as young farmers' clubs, as well as seeing that co-operation is introduced into school and university teaching.

### Chapter 3

#### Education and Training

636. Co-operative movements in all countries recognise that the importance of education and training of members actual and potential and all staff at all levels cannot be too highly emphasised if the movement is not only to expand but also to maintain its present momentum in the face of the challenges of modern developments. Many movements are expending more funds, adopting new attitudes towards and seeking new methods in the education of their members.

637. Most central co-operative organisations have educational and publicity departments, with trained staffs, including co-operative consultants stationed in different parts of the country. They publish periodicals of different kinds aimed at different audiences (senior staff, committee men, housewives and members in general). Use is made of local and national press, radio and television to reach both members and the general public. Co-operative staffs are themselves trained in their approach to members, and their training includes a knowledge of the history and principles of co-operation. In North America especially, but also in some Asian countries, co-operative groups organise community study units in which neighbours meet periodically to study prepared texts, in order to improve their understanding of current issues and co-operative opportunities. Some educational work seeks especially to interest women. Many co-operatives hold "open days", invite inspection of plant and premises, or organise excursions and visit other co-operatives, including those of national or regional importance, and informative and special meetings are held either to discuss a particular topic, or to give members who cannot travel far from their homes a chance to keep in touch with the work of their society. Undoubtedly, concentration on more and more extensive and imaginative "membership education" programmes will increase as movements strive to achieve a public understanding of co-operation and its enduring significance in a changing world.

638. The Co-operative movement was one of the pioneers of staff training by evening classes, correspondence courses, and colleges, in some instances many years before these methods were adopted in private business. These training systems provided for practical skills at a relatively simple and non-technical level and were appropriate in small non-specialist co-operative units. It has become increasingly apparent, as co-operative movements come to be larger, more complex, more technical and more sharply challenged by private industry and commerce in their most up-to-date forms that something more is needed if the co-operative movement is to hold its place, and continue as a leading influence in all its fields of activity.

639. The problem touches not only training, but also selection, for those who are to be trained must have the ability to benefit from education. Traditionally, the co-operative movement has recruited from boys and girls leaving primary schools, and has promoted by seniority. This has meant that few co-operative employees have enjoyed higher education before taking up their duties, while the employee of superior intelligence has little chance of reaching a position of responsibility before middle age. In the past, higher education was costly, and therefore open to few. Consequently, it was always possible to find a certain number of brilliant employees who had left school at 12 or 14 years of age. Today, when in Europe most secondary schools are free on proof of ability, this is no longer the case, and co-operative movements are having to consider, often with some reluctance, the recruitment of staff at higher ages and their direct appointment to posts of greater responsibility.

640. At the same time there is a tendency, at present, confined to a rather limited number of countries, to introduce into co-operative training a wider and more technical range of studies, including the various branches of management and the higher ranges of accountancy. To this sometimes is added the institution of management traineeship, through which selected men, drawn either from within or without the movement, are given the opportunity to work in all the departments of a regional or national co-operative, to study privately and to spend a period in a co-operative college. Some countries make considerable use of the technical training provided by institutions outside the co-operative movement, others very little.

641. Training schemes for those destined for responsible posts raise a number of difficulties. In most countries there is an acute shortage of good teachers of managerial subjects. Management must be taught in a co-operative context or it loses its special value for the co-operative movement, and may lead to promising students deserting their posts for private industry. This is all the more possible, since in many countries co-operative salary scales for the higher grades are below those of private firms. Many small and some large co-operatives are unwilling to release staff for long periods of study. Young trainee men who, on return to their posts, come under seniors with less up-to-date ideas, may often be able to effect little and may become frustrated.

642. Co-operative colleges are to be found in most European countries. In the U.S.A. regional co-operatives run schools for local managers and some send their top management to professional schools for added training. Canada has a co-operative college in Saskatchewan. We may expect more to follow in all these countries run either by national co-operative organisations or by different branches of the movement.

643. In Asia and Africa the position has been rather different. Co-operative training schools and colleges have been set up in many countries of West Africa, East Africa, in Ceylon and in India. The original purpose of such institutions was to train junior officials of the co-operative development department of government in their duties. Their curriculum was mainly concentrated on a general knowledge of co-operative principles and a basic knowledge of the elements of co-operative law, bookkeeping and audit. Such forms of education are based on the assumption of the movement in such countries being composed of societies, small, simple in structure and in the business they would conduct. Training in the basic elements of co-operative practice and principles is being increasingly extended to management staff of co-operative societies but the standards of such training do not suffice for the more complex responsibilities in the management of regional marketing unions and regional or national banks.

In carrying on the operations of such organisations there will be increasingly required trained business judgment and the ability to handle staff and to appreciate technical problems. It has been difficult in many developing countries to find suitable senior staff for organisations of this kind. In some cases a government co-operative officer of some seniority has been seconded for the purpose. He is thus in a position to choose and train his successor. This may be a valuable method provided the training of the officer seconded is really suitable for commercial or industrial management.

644. Higher commercial studies, including studies in the techniques of management are only being introduced into many of these countries through universities and other centres of higher education. They have entered to a still more limited extent into the curriculum of co-operative schools and will, undoubtedly, figure much more largely in the future as the need to train co-operative staffs is widely recognised. In Africa annual courses, on a small scale, concentrating on co-operative management, were initiated by the Plunkett Foundation in 1961. Some of the co-operative courses in Britain, Denmark, France and other countries for students from developing countries include some limited training in management. It seems likely that in the face of the need for more specialised technical training in co-operatives in such countries that there will be considerable development in this field in the future by the co-operatives themselves, the governments interested in the promotion of co-operation and by specialised international agencies of various kinds.

## Chapter 4

### Co-operatives and Research

645. Most forms of modern business make extensive use of research, either conducted by each firm for itself or drawn from the work of universities, experimental stations or private bodies set up to meet the common needs of particular industries. This research usually falls into the two main categories of economic research, covering such matters as costings, statistical and market research; and technical research into raw materials, products and processes. A point comes, of course, when the two have to be considered in relation to one another. All this concerns the co-operative movement, but because that movement exists not only as a business seeking to expand and run at a profit, but much more as a direct means of improving the economic position of its members, it is concerned, to a greater extent than private business, with the use of science and technology by its members themselves. Whether in their farms, workshops or homes, the co-operative is concerned to see that they are in fact using the results of modern research to the greatest extent which their circumstances make possible.

646. Economic and Business Research. Most co-operative movements have for many years collected statistics of their own activities. These usually cover numbers and membership of societies, share and other forms of capital, including reserves, the value of fixed assets, loans and deposits, goods purchased and sold, profits and losses. The detail, accuracy and completeness of these figures varies somewhat from one country to another, and is usually most comprehensible and reliable when the law makes it compulsory for societies to file an annual financial report with a public authority. The result is a rich mine of information which should make possible not only the establishment of trends in time, but also of interco-operative comparisons which could lead to the recognition of standards of performance. This, in the hands of a national co-operative organisation, could become the basis for an expert advisory service. To be really illuminating, such material, however, needs to be supplemented by a study of factors not revealed by annual returns and not always readily expressed in statistical terms - the location of societies' premises, the selection, training, promotion and pay of staffs, buying policies, price policies, balance between different branches of the undertaking.

647. There is a growing realisation in the co-operative movements of many countries that more detached and scientific study could profitably be devoted to all these elements, and it is recognised that co-operation has a potential advantage over private business in this field since (a) it has a very large number of units available for comparison; (b) the facts are more freely available and less secrecy is practised; (c) a central co-ordinating body exists which has the confidence of its members and will be in a position to make practical use of any conclusions which it may reach. It is true that not all regional or local co-operatives are prepared to have all their business life laid bare, even to their own national organisation, nor are all co-operatives prepared to take advice, however well founded and convincingly argued. None the less, the opportunities are probably greater than in many comparable fields of private business.

648. It would appear that in general considerably more could be done by co-operatives to make use of these opportunities. Emphasis on research is, however, expanding and co-operatives are recognising more and more its importance in the maintenance of efficiency. In the U.S.A. seven of the major regional farm supply co-operatives have set up formal economics or business research departments. Opportunities still exist, however, for more co-ordinated research among co-operatives and they spend considerably less per unit of volume on research than do most other business enterprises. They do make quite extensive use of federal government agencies and State agricultural colleges. Extensive economic and business research is carried on for the benefit of co-operatives by the Farmer Co-operative Service of the United States Department of Agriculture. Interest in research is also growing in Canada, where the Co-operative Union has a research committee, and several of the larger co-operatives have research officers.

649. In Europe, national co-operative organisations usually carry on statistical services and circulate technical and business information to member societies. The Swedish consumers' movement has a research fund of over £250,000 and internal research is also carried on by specialised branches of the movement. In the United Kingdom, the Co-operative Union has a statistical department and a group of specialised advisory committees, with their own staff, while the Co-operative Wholesale Society has its own Market Research Department. The agricultural movement has its own statistical service and makes use of the Plunkett Foundation for special economic studies. In Germany the consumers' co-operative movement has its own market research department, concerned with prices, motivation, changes of taste, as well as with more general economic and social questions. All branches of the German co-operative movement also collaborate closely with universities and agricultural experiment stations. Five universities, those of Münster, Frankfurt, Erlangen, Marburg and Hamburg have Co-operative Research Institutes. To some extent they specialise in different branches of co-operation and receive financial support from movements with which they are primarily concerned. A similar institute has been formed in Austria. In France, the Institute for Co-operative Studies was set up recently by all branches of the co-operative movement. It works independently of government or universities. Amongst central co-operative organisations in Eastern Europe Centroysoyus, the national centre of the consumer co-operatives in the U.S.S.R., has set up an institute of research.

650. In Asia, practically all research is carried on by government or government-sponsored institutions, and little or none by the co-operatives themselves, though a few publish statistics (Taiwan) or have carried out economic surveys of co-operatives (Japan). In the latter country an annual statistical survey is conducted by government, usually based on the co-operatives' own reports of business activities. Co-operatives and their national federations also make surveys of specific activities and their background. The surveys carried on by the central and provincial unions are generally concerned with operational relations in the co-operatives, the costs of production and the economics of members' farms.

651. The Agricultural Credit Department of the Reserve Bank of India has compiled annual statistical statements and a two-yearly review of the co-operative movement, besides notable reports, such as the Rural Credit Survey Report of 1954 and Report of the Urban Banks Survey, 1960, together with special studies on such subjects as the financing of small-scale industries, the marketing of wool and tobacco, and sericulture. The Bank of Turkey carries on co-operative research on a rather more limited scale.

652. No co-operative research (apart from the collection of statistics) appears to be carried on in Australia or New Zealand, either by co-operative institutes, government departments or universities. The same is true of Africa, with the possible exception of Egypt. There is, however, a growing realisation in a number of African countries, that as operations become more complex and co-operative experience extends over a longer period, the time is coming when serious study could profitably be given to the internal economy and method of management in the co-operative movement.

653. The conclusion appears to be that, while a good deal of data, particularly of a statistical nature, is available regarding the co-operative movement, it is only in a few countries that this is used as a basis for research, and then more often by government, banks and universities than by the co-operatives themselves. In this the movement appears to be lagging behind private business.

654. Technical Research. Here it is necessary to draw a distinction between research carried on by co-operatives themselves and the use by co-operatives of the research by other bodies. The first calls for laboratories, workshops, testing grounds and trained staff. What has been done up to the present is in fact on a very small scale in most countries. One of the most impressive ventures is the Co-operative Laboratory for Analysis and Research established by the French consumers' movement in 1955. Its objects are: (a) to safeguard the consumer as regards the quality, purity and health standards of products; and (b) to provide scientific and technical backing for co-operatives and other associations of consumers in their efforts to maintain quality by analysis and product research, and by compiling and circulating documents on this subject. During the first five years nearly 4,000 samples

were submitted to chemical and bacteriological examination. The influence of the laboratory extends beyond the co-operative movement. It plays a prominent part in the National Centre for the Co-ordination of Study and Research on Nutrition and Food Supplies, collaborates with the Inspectorate of Frauds, and prepares reports for the National Planning Commission. The French consumers' movement also has its own technical research department of a more general character.

655. Few other co-operative movements appear to have national laboratories for co-operative research. Many agricultural co-operatives have small testing laboratories especially for feeding stuffs, fertilisers and soil samples. Several regional co-operatives in the United States are jointly conducting research on feeding stuffs and seeds, and similar action is under discussion in the United Kingdom. A few co-operatives in several countries have small experimental farms, mostly trial grounds for seeds. Some co-operative factories have their own testing laboratories.

656. A fairly recent development has been the foundation in Poland of the Dairy Industry Institute which does research into various aspects of that industry and includes amongst its activities the documentation of world achievements in dairying. In the industrial field in Czechoslovakia, in seeking to cater for the requirements of market research technology and for the formulation of new marketing methods, the Central Union of Producer Co-operatives has expanded its Institute of Development and Design which works out necessary designs specifying technological processes and organising the development of new products and services, as well as giving technical and economic information to co-operatives.

657. It is also difficult to obtain direct evidence as to the rapidity and completeness with which the technical staffs of the larger co-operatives keep themselves in touch with development in their own fields, and how far the co-operative makes this possible by subscribing for specialist journals and allowing staffs to visit scientific institutions, attend technical conferences. At one time many co-operatives would have been unwilling to associate in these matters with private firms, and may in this way have limited their own staffs' opportunities for bringing themselves up to date, but this attitude appears to be coming less rigid.

658. Transmission of New Techniques to Members. Here the co-operative movement has had considerable success, and in many countries works closely with the Department of Agriculture, and sometimes the Department of Small Industries or its equivalent, to modernise the methods of farmers and craftsmen. Demonstrations by a government department or experiment station often make relatively little impression if, for example, the small farmer has no cash or credit with which to buy improved seed, and knows that even if he gets a better crop, the principal beneficiary will be the merchant through whom he sells it. Co-operatives, by making new materials available on terms suited to their members' resources, and providing a profitable channel through which they can be marketed, have done much to see that the basic research of universities and experiment stations is in fact put to practical use. Such activity will undoubtedly continue and increase in the future.

659. Agricultural co-operatives have also raised standards of production and preparation for market by their refusal to accept produce below a certain standard, as well as by price differentials between grades. The livestock breeding, milk testing and recording of Europe, North America, New Zealand and other countries, owes an incalculable debt to the discipline voluntarily accepted by co-operative members, with the object of turning out a high quality product with an assured market.

660. In the consumers' co-operative movement much has been done to improve the quality of goods, especially food, consumed by members, and to introduce them to new articles and to new methods of processing and packing. The co-operative has also contributed to the dissemination of household machinery and fittings, tending to lighten the work of the housewife of limited means. It is true that commodities of this kind are subject to high pressure advertising which reaches most households. The work of the co-operative has

sometimes been most important (a) in bringing them to the more isolated consumers; (b) securing the lowest prices consistent with tested quality; and (c) arranging credit terms which will be a help and not a burden to the purchaser. In countries where standards of consumption are still low and standards of quality remain to be established, the co-operative movement has obviously still a very wide field of consumer education before it.

## Chapter 5

### Scope and Function of Co-operation in Future Social and Economic Development

#### Scope for Extension of Co-operative Activities

661. Despite the impressive level of achievement of co-operative activity in many fields, there is still considerable scope for the extension of such activity, even in countries with outstanding co-operative records. In the field of agricultural marketing there is room for expansion:

- (a) in the co-operative marketing of other commodities still mainly in private hands in such countries as Denmark (eggs) and France and Western Germany (wine);
- (b) in bringing co-operative marketing in countries where it has been retarded up to the standards of those in which it is best developed (such countries include not only those in which the whole economy is still in the course of development, but also countries like Great Britain, where ready access to markets and a highly competitive private trade has been regarded until recently as an adequate substitute for co-operative marketing).

662. In the field of agricultural supply, there is even more room for expansion, since there are few countries in which co-operatives handle more than 50 per cent. to 60 per cent. of the existing volume of supply. There are many more countries in which existing supplies of fertilisers, imported seed, pesticides and modern implements are minimal, and the supplementary feeding of animals on purchased feeding stuffs hardly exists. Here the task of the co-operative would appear to be not so much to take over from private trade, and so cheapen the commodity to the farmer, as to build up the habit of using such materials and make it economically rewarding to do so.

663. The scope of the consumers' co-operative movement appears to have become stabilised, and it might almost be said arrested, at a maximum of about 15 per cent. of total retail trade, even in countries where the movement is oldest and strongest. There are few higher figures, but very few, and all in small countries. This figure is largely made up of foodstuffs, in which the co-operative movement may do 20 to 25 per cent. of total national trade and cater for 25 per cent. of the population. Co-operative trade in consumer durables has, however, taken an upward turn in the last ten years and activities have been extended to such luxury trades as the supply of motor cars and the organisation of holidays. In some countries the impact of the movement in clothing and footwear is small and even declining. Mature co-operative movements are themselves perfectly aware of this situation and it lies at the back of much current thought for the future. A static position may all too easily become one of gradual retreat. Outside Europe, notably in the developing countries, consumer co-operatives continue to play an extremely modest part and the opportunities for expansion, particularly as the general standard of living begins to rise, would seem to be almost limitless.

664. Very few, even of the most successful, co-operative banking systems receive more than a rather small proportion of total savings or provide more than a fraction of total agricultural credit. Few countries, apart from Germany, and perhaps India, have a significant urban banking movement, if by that is meant a fully integrated, federally organised system capable of financing and facilitating commerce and industry, even industry organised in relatively small units. Few outside the United States have a large-scale development of personal thrift and personal loans to wage earners. Many countries which have promising credit movements have no central clearing banks, and cannot be used to finance co-operative development. A number of national co-operative banks exist mainly for this purpose, but have no machinery for providing personal credits, except through overdraft on current account. Many co-operative banks do valuable work as guarantors of loans from private or governmental banks, which they then distribute to member societies and ultimately to individual members, but have not been able to raise enough capital within the co-operative movement to make them financially independent. There is considerable scope for stronger and more diversified co-operative banking systems than exist at



present. This is being increasingly recognised in some developing countries, as well as elsewhere, as an important means of conserving the not inconsiderable funds available from co-operative savings, reserves and deposits for use within the co-operative movement, and of attracting new capital to that movement.

665. In co-operative insurance, another important source of capital, the emphasis in most countries has been on the insurance of property risks, especially, but not exclusively, in agriculture. In a small group of countries the insurance of fishing boats is almost exclusively in co-operative hands. Life insurance is co-operatively handled in fewer countries and on a more modest scale, though there are some in which co-operatives are among the leading concerns offering "industrial" life insurance, i.e. that serving people with modest incomes insuring up to limited values. There are many countries in which insurance itself is not a general practice, and here co-operatives will in time have a unique opportunity to pilot new development. It must be admitted, however, that the fields of crop and livestock insurance, where popular demand may first arise, are among the most difficult and dangerous, though the latter may be particularly useful when combined with the introduction of better breeding methods and veterinary facilities. A safe beginning may have to be with the buildings and vehicles of the co-operative movement itself, before enough experience is gained to handle less easily calculable risks. Considerable efforts are being made to assist co-operatives in the developing countries to create co-operative insurance institutions. Well-established co-operative insurance institutions in Europe, the U.S.A. and Canada are providing technical guidance and training for officials of co-operative insurance societies in developing countries. These institutions also give valuable aid by providing reinsurance.

666. The general co-operative organisation of fisheries is comprehensive in a small range of countries, as in Japan and Norway. However, even in Norway it remains an organisation on a broad front (first-hand sales of all fish landed) rather than in depth. Processing, export and supply are still, to a considerable extent, in private hands.

667. In small-scale industry and trade the co-operative movement has still to establish its claim to participate in terms of modern industrial efficiency. In Germany it has successfully sustained a large number of small private businesses. In some countries of Western Europe it can show a limited number of satisfactory or even brilliant examples of worker-controlled factories. In Eastern Europe many workshops and service establishments have been set up on a co-operative basis. Though widespread, they remain largely confined to lighter and traditional industries supplementary to State industry. In Asia, cottage industries, especially weaving, have been saved from rapid decay and collapse by co-operative organisation plus fairly lavish government finance. The productive works of agricultural and consumers' co-operatives are part of the accepted economy of these movements. Generally speaking, industrial co-operatives do not seem to have made much progress in developed countries, apart perhaps from some areas of Eastern Europe, for the last few years. In developing countries some progress has been made, in particular in countries where small industries and handicrafts still provide employment to a large section of the population. Their role may well diminish as industrialisation increases. The efforts of the artisan sector, as in parts of Japan at present, may in the future in some instances be directed towards the production of parts and components required by large industrial undertakings. In other cases it may be found that the most useful activity will be in the fields of supply and marketing in crafts where the artistic and cultural value of output would be better preserved in individual workshops.

668. Co-operative housing is one of the growing points of the movement, increasing in volume in the countries where it is well established, attracting growing interest in those where it is still untried. The emerging new "middle class" in developing countries acquires better accommodation and the exodus from rural areas to the towns has caused acute housing shortages. It would seem that co-operatives have an important role to play in such countries in the development of low cost and self-help housing schemes.

669. The co-operatisation of transport is likely to increase, particularly in developing countries, as a means of ensuring that the economically weak individual transporter is still able, as a worker member or vehicle-owner

member of a co-operative, to participate actively in modern transport organisations. Without such co-operative organisation, the small transporter will undoubtedly disappear and be reduced to passive employment.

670. With so great an undeveloped potential in every field of co-operative undertaking, it is not surprising that few national co-operative movements appear to be planning to break into other than the traditional co-operative fields. The desire seems to be rather to round out existing co-operative movements either by exploring fields new to the innovating country, but already well-cultivated elsewhere, or by elaborating and modernising existing co-operative structures.

### Co-operative Functions and Modern Developments

#### Trade Techniques

671. In modern conditions, with population in many countries more and more concentrated, with a general increase in wages and with the development of transport facilities and communications, trade, particularly in, though by no means limited to, the consumer field, has been opened up to the management techniques and methods of the large capitalist enterprises. The co-operative movement is thus faced with problems of mass distribution and rapid technical development. To cope with such conditions, the movement is having to adopt modern methods of integration, amalgamation and specialisation, the establishment of chain stores, supermarkets and self-service stores, the use of mechanised packing, freezing and automation. Closer tie-ups and control are having to be established between the wholesale and the retail trades, between the factory and the producer, whether farmer or artisan. All this has meant, and will continue to mean, on the one hand the need for more specialist and professional control, and on the other the need for central regulation and co-ordination of farmers' and other workers' productive activities.

#### Rise in Living Standards

672. The general rise in the level of incomes has brought a diversification of tastes, and demands for new commodities and new services. Co-operative movements in the consumer field will doubtless have to continue the present expansion of services and range of goods to members and to keep up with frequently changing patterns of demand. The supply societies will have to make sure that all modern types of implements, fertilisers, seeds and insecticides are available to the farmer member. Housing co-operatives will have to be in the forefront of design and standards of comfort.

673. The general rise in education standards appears to have developed a new critical awareness on the part of consumers, a trend illustrated by the emergence of consumer associations. Co-operatives, by their make-up, are able to function as their own consumer association. Several are already conscious of this new aspect of their activities, and doubtless their example will be followed by others. Co-operatives are increasingly undertaking the functions of comparative tests of various types of consumer goods, surveys of production and distribution networks, measures to protect consumer health and against adulteration of goods. The representation of co-operative bodies on public and semi-public bodies dealing with consumer questions may well increase.

#### Advertising

674. The cult of advertisement has been growing and continues to grow. Consumers are beset with multifarious claims through mass advertising, with its somewhat compulsive effects. Co-operatives, by their very nature, are able to assume the role of countervailing power, by their careful selection and accurate description of the goods they sell, allied to the efficiency of their services, to avoid distortion and exploitation. Various methods, largely through increased publicity and membership education, are being used to try and preserve, in the face of so many pressures, the essential concept of the active participation of members in their co-operative. This is likely to be a cogent reason for vigorous co-operative action in many countries in the future - aimed at establishing a true democratic economy, based on active and responsible individuals and not passive individuals, conditioned by propaganda and publicity.

### Capital

675. In the past the principal source of co-operative finance has been members' shares and deposits and reserves built up from business surpluses. Since the Second World War, however, the share of the individual member's contribution to co-operative finance has diminished considerably. In order to compete in modern conditions with large private enterprises, heavily capitalised or with easy access to loan finance, co-operatives have had to supplement members' contributions on an increasing scale by institutional finance from co-operative banks and co-operative insurance organisations. These institutions currently provide some of the capital for long-term investment in warehouses, shop buildings, plant and other equipment, thus freeing other sources of capital for trading purposes.

676. Co-operative movements may be expected to establish further institutions of these kinds, as well as to promote the formation of thrift and credit societies and the setting up of further national credit organisations, in their attempts to attract more capital and to utilise existing co-operative reserves of capital in the best interests of the co-operative movement as a whole. Some societies, notably in the United States of America, have used such devices as revolving funds and the issue of debentures in their efforts to obtain fresh capital. We may expect this trend of movements searching for new methods and sources of raising capital to continue, as the co-operative movement is likely to require, in particular, long-term credit on an increasing scale for the financing of modern large shops, warehouses and expensive equipment. Traditional methods of co-operative capital promotion are unlikely to suffice to meet these needs.

### Expansion of Regional and International Trade

677. Co-operatives have adapted themselves to the new developments in regional and international trade by interco-operative activity and the formation of international agencies, for example, for the sale of petroleum products, or based on regional blocs of countries. Foreign trade by co-operatives is now becoming something of a commonplace. Interco-operative production is on the increase, as is the exchange of know-how between national movements, in particular through the auxiliary committees of the International Co-operative Alliance. Interco-operative activity on a regional and global level is certainly likely to increase in such fields. Moreover, co-operative movements are, and will doubtless continue, seeking representation on international bodies, so that their influence can be exerted on such subjects as tariff levels, regional trade agreements and monopolies control. It would seem that the movement should be in a position to exert a salutary and beneficial influence on such matters, but the extent of such influence will depend largely on the efforts made by the various national and international co-operative organisations.

### Co-operative Activity in other than Economic Fields

678. Co-operatives are likely to continue to advocate measures of social reform and welfare compatible with their principles of democracy, equality and solidarity. In several countries, governments have taken over many of the traditional social functions of co-operatives in the course of their own social welfare policies. On the one hand, co-operatives may be expected to support such government programmes; on the other, they may be expected to help shape them by seeking representation on official bodies and also by means of their own publicity.

### Co-operation and Developing Economies

679. The primary problem in the newly developing countries is one of development in all its forms. Governments have generally accepted that the co-operative method is an integral part of national development. Thus, the role of co-operation in such countries is ceasing to be merely one of counterpoise to capitalism or of a complement to planning. Co-operation has become an organic factor in the building of new socialist economies. Thus, in general terms, co-operation in such countries is beginning to accompany and assist community development, is becoming multi-purpose so that it can serve the varied needs of the population on the one hand, and on the other, co-ordinate, for example, such processes of development as production and the provision of

credit. Representation on government and quasi-government bodies concerned in development is becoming more and more the rule. The tendency is for national co-operative organisations to be formed which help to influence and implement development programmes; co-ordinate co-operative activity and policy; make use of all co-operative funds for the general benefit of the movement; and gradually to take over such functions of government as audit, and education and training.

680. In measures of agrarian reform and new land settlement, it may be expected that many governments of developing countries will continue to insist on the co-operative method being introduced. Whether the method will include elements of joint cultivation or be limited to credit, supply, marketing and the provision of services, will depend on the systems of land tenure existing and to be adopted.

681. It is widely recognised that there is considerable scope for the introduction of other types of co-operative other than those most successful at present: credit and agricultural marketing. Many developing countries already have a strongly-knit organisation in family and tribal life, which may be utilised for the purposes of communal efforts in such fields as housing, farming and cottage industries. This social structure, as well as the tendency, in rural areas at least, for the population to be largely in widely dispersed units based on the village, has led to the formation of multi-purpose societies. The development of the "village co-operative" may well continue in certain South American countries and in parts of Asia and Africa, as the most appropriate method of co-operative organisation in developing the community as a whole, both economically and socially.

682. However, it is unlikely that there is any single structural pattern for the co-operative movement which would meet the needs of all these countries. The final choice in deciding what structural system to adopt will no doubt only be made after a close scrutiny of the numerous factors peculiar to each country, as geography and traditions of the region, existing communications systems, and the level of education of the population concerned.

683. Most governments have shown increased interest in extending co-operation to new fields and often grant certain privileges to such new co-operative activities. The difficulties of lack of local technical knowledge are being surmounted by the widespread and increasing aid these countries are receiving from other national co-operative organisations and from international organisations of several kinds.

#### Expansion of International Aid

684. Perhaps one of the most significant developments in recent years has been the growth of interco-operative relationships, and not least the steadily increasing volume of aid being given to co-operation in the developing countries. This aid has been given either in facilities for education and training or by technical assistance in the formation and development of co-operative ventures. Co-operative movements and international organisations will undoubtedly continue to give increasing attention to the problems of the most effective kinds of assistance, the qualifications of experts and the appropriate nature of their assignments, the duration, subject matter, procedure and location of courses and seminars, the suitability of candidates for, and the most suitable form of, fellowships.

685. The demand for more books on co-operation is increasing. Much of this comes from countries not speaking a world language. There may well be greater co-ordination in the future in the publication of suitable co-operative literature and its translation into a wide variety of languages.

686. Films for co-operative education have been used to a limited extent. Future extension will depend on how the obstacles of language difficulty and of the widely varying standards from one country to another in building, clothes and commodities, which tend to blur the films' message, are overcome. It may be found that films for international use are best made for groups of countries with similar problems and standards of living.

Responsibility for Future Development

687. In the majority of countries no formal development plans for any branch of the co-operative movement have been drawn up either by national co-operative organisations or by governments. There are, however, a large number of countries in which co-operative leaders, although having drawn up no precise plans, have still a fairly clear idea of the changes and developments which will be necessary if co-operation is to expand, or even to retain its present share of the economy. Such changes and developments are often discussed and resolved at congresses of national movements, particularly in Western Europe. Many of such movements have devoted much thought and energy to planning, but others have neither drawn up any plans nor shown awareness of any need to do more than leave each co-operative or group of co-operatives to manage its own business in its own way on lines which have now become traditional.

688. In the state-planned economies the future activities of co-operative movements are broadly governed by the national economic plan, whether annual or for a term of years, laid down by the State. This plan is normally expressed statistically in terms of the future volume of trade, usually by categories, number of new selling points, number and training of employees, or in the case of collective farms, acreage to be cultivated, volume of stock and number of livestock to be produced. The initiative of co-operatives in shaping their future in these countries is therefore confined, and seems likely to remain so, within certain regulated limits. Within these limits, the movements, while enjoying considerable state support, may maintain their own identity and be given a substantial amount of freedom in the detailed planning of their activities.

689. In most countries of Asia, other than Israel and Japan, and of Africa, other than the Republic of South Africa, it is again mainly the government, through its department of co-operative development, or equivalent, that still plans the future. In India, where the national economy is planned by the State as a whole every five years, provision is usually made for the tasks to be assumed by co-operatives and the resources to be provided for this purpose. In Egypt also, there is a national economic plan in which co-operation has a stated part to play. In many of the developing countries co-operatives, being considered and utilised as instruments of development, are closely bound up with government policy. The tendency, however, appears to be for the fostering of national co-operative institutions with the intention of allowing them more and more responsibility and independence in their own affairs. Nevertheless, in view of the role of co-operation in such countries as an organic part of development plans, it is unlikely for some considerable time that their functions and policy will be considered apart and distinct from the national policy. Also, as we have already noted, extensive government participation in co-operative enterprises and its considerable assistance, guidance and supervision, may well make the eventual development of a sense of independent responsibility and the subsequent government withdrawal a matter of some difficulty.

690. Generally, it seems that forward planning in some detail will become more and more necessary in the face of the increasing complexities and demands of modern conditions. This planning is likely to increase in scale at national, interco-operative and international levels, as common interests continue to transcend national boundaries and as the benefits of comparing experiences and exchanging knowledge become more apparent and the need for the economically developed to assist the still developing becomes even more urgent.

691. From whatever point the initiative comes, however, it seems clear that the success with which further development is carried through will depend on the co-operatives themselves. Capital investment by government can provide the facilities and government training and even, in some cases, government provision of staff, can provide the machinery by which certain functions are performed on a nominally co-operative basis, but unless co-operatives develop an identity and impetus of their own, unless members and committees are prepared to take real responsibility, show both loyalty and a critical spirit, cultivate a sense of purpose and, at the same time, an interest in seeing ends achieved by the most efficient means, no amount of forward planning will, in the long run, be successful.

### Conclusions

692. A meeting of experts on co-operation was held at Geneva in 1962, to review results of this study of developments and trends in the world co-operative movement and to make recommendations on future policy. The meeting was attended by 13 experts from 13 different countries in Africa, Asia, Europe, North and South America, and the Near and Middle East. A summary of their conclusions is as follows:

1. Under modern conditions larger co-operative units are needed but care should be taken not to sacrifice personal contacts with members or the basic principles of co-operation. This subject requires further study.
2. In this connection, the need for centralisation and vertical integration was recognised, and it was suggested that co-operatives should take note of techniques in private industry and commerce, including those relating to the selection and training of personnel.
3. Traditional methods of co-operative capital accumulation may not be sufficient to meet new needs, particularly in the field of long-term finance. In this connection co-operative insurance institutions can make a useful contribution. Investigations in this direction may be of value.
4. Efficient management is one of the problems of co-operatives today, both at the level of senior paid staff and the unpaid directors. Increased specialisation calls for higher technical competence. Methods of training and salary policies should be reviewed. Attention should also be paid to the changing relationship between paid and unpaid management.
5. It was noted that interco-operative relations were assuming new forms, including international discussions concerning particular commodities. It was urged that in view of the important scope and complexity of the problem, the subject should be studied in greater detail.
6. The co-operative movement should be given greater opportunity to influence the policy and working of statutory boards, including those controlling agricultural produce.
7. The co-operative movement should follow closely the formation and development of economic zones and should be represented on the relevant consultative and policy-making bodies.
8. In principle the co-operative movement should itself undertake education and training of its staff and, wherever possible, permanent institutions should be established for the purpose. In developing countries where adequate funds are not available, assistance may be required from other sources.
9. In selecting experts for co-operative work, more attention should be paid to practical experience than academic qualifications. Qualities of character and ability to adjust to new environments are also important considerations.
10. Village co-operatives can make a valuable contribution to the development of the community, both economically and socially, and should receive particular attention.
11. Co-operatives can make an important contribution to economic and social progress, and should be given a definite place in national planning.
12. A distinction should be made between "co-operative principles" and "co-operative methods". Their adaptation to new economic and social situations should, in every case, be subject to careful consideration. A thorough study of co-operative principles

and methods might be undertaken by the international organisations interested in co-operative activity, with a view to safeguarding the essential character of co-operative institutions.

13. In planning for co-operative development, targets have their value but care should be taken not to sacrifice quality to attain targets.
14. In drawing up plans for co-operative development consideration should be given to those forms of activity which may not have been sufficiently developed, e.g. insurance, housing, school co-operatives, rural electrification, labour contract and welfare societies, fishery co-operatives.
15. In those developing countries where ownership of land is unevenly distributed or tenure is uncertain, land reform is of vital importance, but any reallocation of agricultural land should be accompanied by the establishment of appropriate co-operative institutions.
16. The housing problem is assuming large proportions in many countries and co-operation has an important role to play in its solution. This would entail an increasing demand for expert advice and additional funds.
17. Co-operative methods of organisation are accepted as an effective means of promoting small and handicraft industries. There is, however, a need for the systematic study of problems and methods of developing this type of organisation.
18. The position of small traders in the co-operative movement varies from one country to another and requires clarification.
19. There is a pressing need for extended co-operative research to serve the diverse activities of the movement, to lay the foundation of further expansion, and to keep the movement abreast of economic, social, technological and managerial progress.
20. There is a lack of complete and up-to-date statistical information on co-operatives in various parts of the world and steps should be taken to improve collection and expedite publication of co-operative statistics.
21. There is no theoretical limit to co-operative expansion although boundaries may be imposed by the State, or by human, social or economic conditions. An important factor in co-operative development is the educational level of the people. In developing countries the expansion of the movement should go hand in hand with a vigorous programme of adult education. Also, in developed countries it is necessary to maintain a high level of education so that the people can resist modern methods of mass persuasion often directed against co-operation.
22. The preparation of experts before their assignment needs careful attention from the international organisations concerned. As far as possible, experts should, in addition, be given an opportunity to accustom themselves to their new environments in the countries of assignment. Organisations of employers and workers can facilitate their adjustment.
23. There is a dearth of films and film strips for educational purposes. A long-term plan is required for their production, possibly by agencies of the United Nations. These films should, as far as possible, be shot on location in developing countries.
24. A programme of publication of practical manuals and textbooks on a long-term basis is required. The experience of co-operative field workers in developing countries could well be utilised for this purpose.
25. The preparation of a study of co-operative legislation is recommended. This should be brought up to date from time to time and would thus be most helpful in the revision of national legislation.

26. The importance is emphasised of the function of the international organisations concerned in assisting the promotion of closer contacts between diverse types of co-operatives in different countries and between co-operative institutions, on the one hand, and research institutions, such as universities doing work in the co-operative field, on the other.