

CHAPTER 2 PRESENT SITUATION AND PROBLEMS OF AGRICULTURAL COOPERATIVES

1. Situation of Organization of Agricultural Cooperatives

(1) Historical progress

Agricultural cooperatives in Thailand have a history of 60 years. It was 1916 when the first agricultural cooperative (credit cooperative) was born in Pitsanuloke Province located in the middle part of the country. The Ministry of Finance invited specialists from Madras Bank for rehabilitation of Siam Commercial Bank in 1913 when dullness of business of this bank became apparent. Establishment of cooperatives as mutual credit organs of farmers was appealed together with establishment of a national bank in the proposal of specialists. Taking this opportunity, the Ministry of Finance established Cooperative Section in Commerce and Statistics Department in 1915. The first job of this section was establishment of a rural credit cooperative in Pitsanuloke. Cooperative Department was established in the Ministry of Agriculture in 1920, and it was promoted to Ministry of Cooperatives in 1952. Although it was temporarily transferred (to the Ministry of National Development) accompanying establishment of Ministry of National Development in 1963, all of divisions and bureaus related to cooperatives were finally collected in the Ministry of Agriculture and Cooperatives in 1972.

The first cooperative law in Thailand was the Cooperative Law (No. BE2471) enacted in 1928. All of the cooperatives established before the enforcement of this law were registered based on a special legislation called Private Corporation Law (No. BE2459) established in 1916. The Cooperative Law of 1928 largely expanded the path for establishment of various cooperatives all over the country. These cooperatives included, besides regional credit cooperatives in rural areas, land installment purchase cooperatives, settlement cooperatives, agricultural product marketing cooperatives, processing cooperatives, land improvement cooperatives, home industry cooperatives, fishermen's cooperatives, consumers' cooperatives, saving and credit cooperatives and so forth. The number of cooperatives of these various forms increased to 2,998 in 1941 from 440 in 1934, and it then increased to 7,663 in 1949 and further to 8,680 in 1951. The Bank for Cooperatives was established in the mean time as the central organ for cooperative credit in 1947 by the government. The operations of this bank was later taken over by the Bank for Agriculture and Agricultural Cooperatives (BAAC) in 1966, and such a day came later when loans are made directly to farmers as well as to agricultural cooperatives.

Too many cooperatives were established, and the cooperatives fell into business depressed appeared in succession due to lack of understanding of cooperative members and directors, incomplete management, lack of experience of government officers who took over clerical works, competition with merchants and so forth, and a large social problem was created in the historical progress of agricultural cooperatives.

The Government of Thailand and USOM (United States Operations Mission to Thailand) from U.S.A. proposed to organize cooperatives of new type called production credit cooperatives in 1958. This policy was reflected in the new Cooperative Law (No. BE2511) of 1968, and conventional credit

cooperatives of village level were merged and were reorganized into production credit cooperatives or multi-purpose agricultural cooperatives of district level. This new Cooperative Law also provided for establishment of CLT (Cooperative League of Thailand) for the purpose of playing the role of provision of guidance on education and training for every kind of cooperatives.

However, small scale regional credit cooperatives, which were the foundation of merged agricultural cooperatives, were not capable of playing the basic functions as original mutual credit organs and they were only one-way loan windows which execute loans to farmers (members) with national finance and borrowings from commercial banks used as original sources. Even when these cooperatives were merged and integrated and functions of marketing, distribution and storage of farm products and supply or production inputs are added, the condition of lack of funds remained unchanged, and strengthening of their structures has not necessarily been accomplished.

(2) Present situation of organization of agricultural cooperatives

Cooperatives of six kinds are in existence in Thailand today, and all of them are based on the existing Cooperative Law (No. BE2511). They are 1 agricultural cooperatives, 2 land settlement cooperatives, 3 fishermen's cooperatives, 4 saving & credit cooperatives, 5 consumers' cooperatives and 6 service cooperatives. 1 through 3 are mainly established with rural areas as the territory, and 4 through 6 are mainly established with urban areas as the territory.

Table 2-1 Number of cooperatives and number of members classified by kind

Unit: cooperatives, person

Kind of cooperative	No. of cooperatives			No. of members			Mean No. of members, per cooperative
	1977	1978	1979	1977	1978	1979	1979
Agricultural cooperative	681	769	841	553,456	760,405	825,946	982.1
Land settlement cooperative	59	98	111	32,421	53,293	60,892	548.6
Fishermen's cooperative	7	9	10	1,112	1,456	1,755	175.5
Saving & credit cooperative	236	258	290	395,257	438,328	459,751	1,585.3
Consumers' cooperative	160	172	182	270,434	267,595	284,687	1,564.2
Service cooperative	97	115	130	29,156	33,047	36,471	280.5
Total	1,240	1,413	1,564	1,281,836	1,554,124	1,669,502	747.8

Source: Information from CPD and CLT.

Note: Service cooperatives include regional electrification cooperatives, taxi drivers' cooperatives, housing cooperatives and handicrafts manufacturers' cooperatives, for instance.

Table 2-1 indicates the number of cooperatives and number of members classified by the kind of cooperatives. Agricultural cooperatives have the largest shares in both number and their members. The number of members per cooperative is large with urban type cooperatives such as saving & credit cooperatives and consumers' cooperatives. Both of number and their members were increased in all kinds of cooperatives in the past three years, and it is learned that the total number of persons who are affiliated with cooperatives of some sort is as many as 1.67 million in the whole country.

When the progress is observed in further detail with cooperatives in rural areas, rural credit cooperatives formed the mainstream in the stage before merger was recommended in the new Cooperative Law of 1968. There were as many as 9,869 rural credit cooperatives (besides them, there were 155 land settlement cooperatives and 149 agricultural cooperatives and fishermen's cooperatives in total, and the number of cooperatives in rural areas was as many as 10,173) in 1966. Rural credit cooperatives were in existence in 286 districts of 63 provinces. It can be easily understood that the scales of these cooperatives were petty those days, as the total number of members was 153,278 and the average was only 15.5 members per cooperative. These small rural cooperatives were integrated, and the number of rural credit cooperatives which made participation in mergers by the end of 1973 was as many as 9,603, and 410 new agricultural cooperatives were formed. The number of rural credit cooperatives was reduced to 49 by the end of 1974, and it was further reduced to 8 in 1977. The number of cooperatives in rural areas as of the end of 1974 is 156 land settlement cooperatives, 536 agricultural cooperatives and fishermen's cooperatives in total and 49 rural credit cooperatives, that is, 771 cooperatives in total. This number is only 7.6 per cent of 10,173 cooperatives in 1966. The number of agricultural cooperatives increased since then and it is 841 as of the end of September 1979. As for the number of land settlement cooperatives, the merger was slower by one step than that of agricultural cooperatives. The number once increased to 186 in 1974 from 154 in 1966, and then merger was rapidly advanced. The number decreased to 77 in 1975 and further to 51 in 1975, and it again started increase to 59 in 1977, 98 in 1978 and 111 in 1979. Land settlement cooperatives were started in 1938 for the purpose of assisting landless farmers and tenant farmers to become owner farmers. The cooperatives of the people who made settlement in released and subdivided public land, cooperatives of the people who purchased land on installment, cooperatives of the people who rent land as tenant farmers, land settlement cooperatives for fishermen and so forth are included in the Land Settlement Cooperatives.

The ratio of affiliation of farmers with agricultural cooperatives is said to be 9.12 per cent as of the end of 1978. With individual agricultural cooperatives, however, a few of them correctly seize the number of farm households in the area (same with district office resident officers of CPD) and only estimated ratios were obtained at the agricultural cooperatives on which case study was conducted. The ratio of affiliation of farmers with an agricultural cooperative largely varies by the type of the agricultural cooperative. It can be said to be natural from their character that the ratio of affiliation is high with land settlement cooperatives. When distribution of agricultural cooperatives by area is observed, in those provinces located in mountainous areas in Northeast area, North and South area as well as the metropolitan circle around Bangkok, districts without agricultural cooperatives are located by large numbers. Twenty provinces having agricultural cooperatives in all of their districts are concentrated to upland farming areas in the Central Region. The provinces

in which ratios of affiliation of farmers with agricultural cooperatives are high, that is, Sing Buri Province, Chai Nat Province, Supaanburi Province, Utai Thani Province, Ang Thong Province and Lampung Province, are the provinces mainly located in "Paddy and upland field" farming areas. The average number of members per cooperative is 982 persons as a ready described among agricultural cooperatives in Thailand. The agricultural cooperative of the largest scale is Sanpaton Agricultural Cooperative which has 4,986 members.

Agricultural cooperatives in Thailand are of system organization of three stages, that is, primary agricultural cooperative-- provincial federation -- national federation like the system in Japan, but a part of the organization is unusual. Although businesses of primary agricultural cooperatives are performed with multipurposes such as credit business, economic businesses and guidance business, province federations are, as it were, facilities federations, which expand economic businesses, particularly management of facilities which becomes bases for marketing of farm products with rice mills and warehouses, except the cases in two provinces which runs credit business. There are 26 provincial federations as of the end of December 1977, and the number of member primary agricultural cooperatives is 283, that is, 11 agricultural cooperatives at average per provincial federation.

The federation in the national level is called ACFT (the Agricultural Cooperative Federation of Thailand Ltd.), and 26 provincial federations and 570 primary agricultural cooperatives are its members as of the end of February 1978. When the history of its establishment is observed, Thai Wholesalers' Cooperative established in 1952 (became independent from Cooperative Bureau, Marketing & Purchasing Section) as an organ for supplying commodities to stores of cooperatives which were born in 1937 and Bangkok Marketing Cooperative are its antecedents. The national federation was born for the first time in 1969 with these two organizations as its parent bodies, and it was initially called CMPF (Cooperative Marketing and Purchasing Federation of Thailand Ltd.). But the department of consumers' cooperative was separated from CMPF, and the present form as literally the national federation of agricultural cooperatives was established in 1975. There was such a background that the federation should have been an organization of farmers for obtaining finance from BAAC for acquisition of silos. The contents of businesses of the national federation will be described in the next section, but printing business is also operated besides rice and maize marketing business and supply of inputs such as fertilizer, farm chemicals and farm machinery. Silos and warehouses are possessed and managed as facilities. The national federation is carrying the maize development project (JICA No. 3 work) under inter-agricultural cooperative cooperation with agricultural cooperatives (National Federation of Agricultural Cooperative Associations) of Japan, and has also established a farm chemical company as a joint venture between Japan and Thailand.

As the national federations of agricultural cooperatives, pig breeding agricultural cooperatives and sugarcane growers agricultural cooperatives have established their own federations respectively besides ACFT.

Furthermore, CLT (the Cooperative League of Thailand) was established with education and training of personnel of cooperatives as the main object. Its members are all types of cooperatives including agricultural cooperatives consumers' cooperatives and saving & credit cooperatives.

Twelve or more directors are elected among the members, and in addition, five or less directors are designated by the Minister of Agriculture and Cooperatives. The chairman and executive director are elected at a board of directors meeting, and the present chairman is the former director of CPD (Under-Secretary at the present time) and the executive director is a former senior officer of CPD. The majority of the expenses for activities are covered with contributions from member cooperatives, but each primary cooperative is obliged to make a contribution to CLT by the value that is equivalent to five per cent of the profit counted in the settlement of accounts of each year. (But this contribution will not exceed 5,000 baht per cooperative.) Although training is executed for about 3,000 personnel of cooperatives per year, requests for training from cooperatives are not sufficiently met because of the budget limit of about 2.5 million baht per year, and training made by CPD supplements this shortage.

Farmers' associations (also called farmers' groups) and BAAC's farmers' groups are in existence as farmers' organizations besides organizations of agricultural cooperative system described above. Farmers' associations were organized under the guidance of Agriculture Promotion Bureau. Although they are originally extension organizations for guidance of agricultural technology, they have become windows to supply fertilizer and seeds as ancillary works, and members of farmers' association can obtain loans from BAAC through farmers' associations. Furthermore, farmers' associations also perform marketing of farm products. Farmers' associations are provided for in National Executive Council Notification No. 141 of 1972 as follows. "Establishment of one farmers' association in tumbon shall be permitted for each one of main crops such as rice, upland crops, fruit tree crops, livestock products and fisheries products. Seven promoters and thirty or more members are required for establishment of each farmers' association, and establishment of each farmers' association shall be registered with application made to registration officers with articles of association suitably determined. The number of members shall be limited to one person per household, the investment shall be 50 baht per share, and liabilities of investors shall be limited to the invested amounts. The businesses may include credit business, marketing business, agricultural guidance business and other businesses as required. It is permitted that farmers' associations make transition to agricultural cooperatives." The member of farmers' association may join to cooperatives under the approval of the general meeting of the cooperatives. However, it is not permitted for a farmer to make affiliation in dual with both a farmers' association and an agricultural cooperative. The number of farmers' associations has been rapidly increasing in the recent years as shown in Table 2-2.

In October 1974, the Ministry of Agriculture and Cooperatives established MOF (Marketing Organization for Farmers). Although the purpose of the MOF is to supply products, agricultural inputs and daily necessities at reasonable prices with intermediate margins eliminated through direct deal with farmers, as described in detail in the next section, it does not have local branches, and therefore, organizations of farmers' associations were used as agents for execution of the operations. On the other hand, those farmers' associations which do not have provincial federations or national federation formed what are close to "organizations of another system" by making use of MOF, which is a government-made organization. The fact that supply of fertilizer by foreign aids was channeled through MOF was another factor that caused rapid increase of number of farmers' associations. Although the number of registered farmers' associations was 3,454 as of the end of December 1977 (it increased to 3,549 as of the end of December 1978), those actually

operating in 1977 is 2,204, being only 64 per cent of registered number of farmers' associations. As for BAAC's farmers' groups, on the other hand, although the total of members is as many as 730,000 persons, and is next to that of agricultural cooperatives (880,000 persons), they are the groups originally organized for solidarity guarantee required for obtaining direct loans from BAAC, and it can be hardly considered to be the farmers' organizations always functioning.

Table 2-2 Organizations of registered farmers' associations

Year	No. of organizations	No. of members
1973	568	62,824
74	1,293	130,060
75	2,511	258,191
76	3,238	311,457
77	3,454	372,744
78	3,549	-

Source: Institute of Developing Economys
 "Annual Economic Report (1977)"
 NESDB "Five Year Project"

The following problems can be pointed out from the present situation of organizations of agricultural cooperatives in Thailand described above.

The first problem is that the ratio of affiliation of farmers with organizations is very low. This problem, however, is also caused by the present situation of business activities of agricultural cooperatives as described in the following sections, and it is not only due to low cooperative consciousness of farmers. In fact, it was found out during the case study that although many farmers want to join agricultural cooperatives, agricultural cooperatives permit only the farmers of the number which corresponds to the capacity to accept them each year at all of the agricultural cooperatives on which case study was conducted. There even was a case where an agricultural cooperative conducts cooperative training with those farmers who want to newly join the cooperative and selects new members with individual interview made with them after such training. Sansai Agricultural Cooperative in Chiang Mai Province on which preliminary study (November 1979) was conducted.

The second problem is that intervention of the government into operation of agricultural cooperative organizations is made at very many occasions due to the historical process and weakness of agricultural cooperative staff system in reality. Further advanced expansion of business and management systems of agricultural cooperatives is essential for reaching such a form that organization set-up is made autonomously and such activities are supported from the outside by the government.

The third problem is that the adverse effect caused by the vertically split system of administrative agencies reaches the level of primary agricultural cooperatives, farmers' associations belonging to the structure of Agriculture Extension Department expanded their functions

even to the field of economic businesses beyond technical guidance functions, and a certain competitive relations are created between agricultural cooperatives and farmers' associations. Although adjustment at the Ministry may also be required for improvement of this situation, the most basic measure for solving this problem is to strengthen and improve measures in the aspect of businesses so that agricultural cooperatives become the organizations which are really needed for the farmers.

The fourth problem is that the functions of federation organizations (provincial federations, national federation, CLT, etc.) which should back up the activities of primary agricultural cooperatives are not fully exhibited and thus supplementing functions are weak in the framework of the agricultural cooperative system. This problem involves the facts that accumulation of historical experience is minor and that the fields of activities made at the present time are limited, and these factors should be improved in a long run.

The problems in the present situation of organizations of agricultural cooperatives in Thailand are not limited to the organizations, but they are connected with the problems in businesses and management as described above. Under these circumstances, comprehensive measures are required for solving these problems.

2. Situation of Business Activities Made by Agricultural Cooperatives

(1) Credit business

Credit business is most important out of the services provided by agricultural cooperatives to its members in Thailand today. There is almost no doubt in that the occasions with which farmers become members of agricultural cooperatives are in expectation of borrowing of farming funds in the majority of cases, and it can be said that it is the general form of agricultural cooperatives in reality that no remarkable activities are found except for the credit business. At every agricultural cooperative, therefore, capable men of its own course are appropriated to the credit business department, and the flow of a series of clerical work starting with acceptance of an application for loan through examination and decision has been established in outline.

However, despite the current situation where the possibility of occurrence of nonconfirmation of repayment from farmers to the original stipulations is considerably high, the number of agricultural cooperatives having clear proceedings regarding recovery of such delayed repayment is small.

Table 2-3 which indicates changes of loans, debts and savings per agricultural cooperative in the period of 1971 through 1975 realistically show the fact that the credit business of agricultural cooperatives in Thailand is of such a character that it is a agent for subloan of borrowed original source to farmers, which is far apart from mutual financing by using savings deposited by members as the original source for loans, which is what the credit business of agricultural cooperatives should naturally be. The majority of the borrowed original source comes from BAAC, and the original source provided from CPD and commercial banks is added to it by a minor extent.

Table 2-3 Changes of loans, debts and savings per agricultural cooperative

Unit: thousand baht, %

	1971	1972	Ratio to previous year	1973	Ratio fo previous year	1974	Ratio to previous year	1975	Ratio to previous year
Loan	1,688	1,853	109.8	1,885	101.7	2,234	118.5	3,534	158.2
Debt	1,164	1,285	110.4	1,358	105.7	1,978	145.7	3,460	174.9
Savings	-	25	...	56	224.0	72	128.6	106	147.2

Original source: CAD "Statistical Report on Finances of Agricultural Cooperatives (1976)".

Table 2-4 clarifies that recovery of loans from agricultural cooperatives as per the stipulations is of considerably low ratio compared to the case where loans are directly made to individual farmers by BAAC, and it suggests that the fund management capacity of agricultural cooperatives is not what can be boasted of at the present time, to our great regret.

Table 2-4 Repayment by members as stipulated

Unit: cooperatives, %

	No. of sampled cooperatives	A rank	Component ratio	B rank	Component rank	C rank	Component rank	D rank	Component rank	E rank	Component rank
North area	114	16	14.0	6	5.3	2	1.8	12	10.5	78	68.4
Northeast area	148	5	3.4	3	2.0	4	2.7	8	5.4	128	86.5
Central area	160	11	6.9	9	5.6	3	1.9	10	6.3	127	79.3
South area	73	4	5.5	4	5.5	-	-	2	2.7	63	86.3
Total	495	36	7.3	22	4.4	9	1.8	32	6.3	396	80.0

Original source: CPD, BAAC, etc. "Report of Ranking of Agricultural Cooperatives and Land Settlement Cooperatives"

Note: Ranking was made in such a manner that the repayment ratio is compared to the ratio of individual borrowed farmers to the closest BAAC office. If the repayment ratio is equivalent to or better than that of BAAC, it is ranked as A rank, and the difference to the repayment ratio of BAAC is classified by 6% thereunder for the following ranks.

What requires attention in this case is that these figures which are expressed as repayment ratio or recovery ratio as stipulated in general, indicate the ratio of the portion which was recovered by the stipulated dates out of the loans the due dates of which arrived within the fiscal year and that the portion which was recovered with a delay of one day even is completely discarded. At the agricultural cooperatives on which case study was conducted, the majority of loans in arrears is recovered within a period of three years after occurrence of delay, and we were told that such cases where compulsory means such as a forced sale of land is taken very rarely. If proceedings for change of loan conditions or for switching to a long-term loan are taken at the time when repayment becomes difficult in the prospect of farming, the repayment ratio in appearance should approach one hundred per cent.

For urging a farmer, whose credibility was worsened, to establish the future prospect and suitably seizing the credit line to the subject farmer of the agricultural cooperative, member guidance which is rather more careful than that of provided at the time of execution of the loan should be provided and it is important to establish the proceedings for changing conditions including these processes.

Let us observe the outline of loan proceedings in concrete. First of all, a member who wants to get a loan is requested to fill the application form of a specified format. This application form is composed of the following items.

- 1) Address, name, age, name of group he belongs to, and location of farmland
- 2) Desired loan amount and purpose of its use
- 3) Production plan during loan period

In the case of rice or upland crop farming,

Products, planted area, number of trees, average yield per rai or per tree, expected total yield, farm rent, volume of own consumption, expected selling volume, unit price (based on the expected unit price determined by loan judging committee of the respective agricultural cooperative approved by CPD), expected gross income, expenses, etc.

In the case of livestock:

Kind of animal, number of animals, expected production in kg, volume of own consumption, expected selling volume, unit price (same as above), expected gross income, expenses, etc.

- 4) Holding of own funds
Amounts of cash, savings and of the income expected by selling other farm products, etc. and the reason why a loan is required besides these own funds
- 5) Details of intended use of borrowed money and time when it is required

- 6) Contents of major change, if any, in the assets in possession
- 7) Details of guarantor, mortgage, etc.
- 8) Existing borrowings

The contents of the application form are of close details as described above, and it is considered that the credibility of each farmer can be thoroughly seized if full and correct entry is made in this application form. In practice, however, this form is too complicated and each farmer should devote himself to manage to completely fill up the form, and it appears to be the present situation that it is particularly unexpected to enter production plan and so forth as they are.

When these items requiring entry in an application form are observed, although it is requested to make entry of the figures such as gross income and reason requiring a loan which should be learned by the agricultural cooperative, contrivances are insufficient for easily leading out these figures as what are founded on the real situation. It is necessary to clarify more concrete contents as for the accomplishments made in the past. In addition, it is necessary to prepare a simpler format for entry of the plan in such a manner that when a farmer terminates entry while checking the expected income and expenditure of each month, the farmer himself becomes able to understand how he should manage the production, household economy and consumption.

Furthermore, although the contents of description of application forms are used for the credit business alone, it should become possible to use them as the data for marketing business and purchasing business if the application form is improved to what accurately expresses the real situation of production of each farmer. It is because each farmer estimates, in the process of draw-up of the plan, in which month farm chemicals are required and in which month he will be able to ship maize by how much kilograms, and therefore, this plan leads as it is to expression of his will to ask the agricultural cooperative to provide services to him.

The staff of the agricultural cooperatives in charge of credit business who received an application form makes a formal check of the contents, and request the applicant to make additional entry if description is insufficient. The check on credibility of the member who makes application for a loan is made only as a formal judgement unless there is a major change in the assets, because credibility check is made in detail at the time of affiliation with the cooperative. It is desirable that a manager makes verification in this stage, but managers are not necessarily working in general as shown in Table 2-5.

Table 2-5 Provision of managers

Unit: cooperatives, %

	North area	Component ratio	North-east area	Component ratio	Central area	Component ratio	South area	Component ratio	Total	Component ratio
Agricultural cooperatives largely contributed by managers	30	26.3	23	15.5	53	33.1	10	13.7	116	23.4
Agricultural cooperatives at which contribution made by managers is minor, although he is present	8	7.0	16	10.8	26	16.3	8	11.0	58	11.7
Agricultural cooperatives at which assistant managers	41	40.0	43	29.1	29	18.1	17	23.3	130	26.3
Agricultural cooperatives at which designated directors act as managers	13	11.4	42	28.4	35	21.9	33	45.2	123	24.8
Agricultural cooperatives at which general employees or directors act as managers	22	19.3	24	16.2	17	10.6	5	1.8	68	13.8
Total	114	100.0	148	100.0	160	100.0	73	100.0	495	100.0

Original source: Same as that of Table 2-4.

No guarantor is required if land is available as mortgage. If no land is available, two guarantors in possession of land belonging to the same group as the applicant are required. It is naturally usual that the guarantors themselves have debts. In this case, therefore, the appraised values of land of guarantors should satisfy both of their debts and the debt of the applicant. But this point has been overlooked.

The document is then forwarded to the board of directors or to the judging committee participated by manager, CPD staff members and so forth besides directors, and the loan is decided at this committee. BAAC, which is the main supplier of the original source, does attend meetings of the judging committee, but does not interpose any objection in particular. Because each agricultural cooperative is responsible for the liabilities to BAAC, BAAC will not directly suffer from a loss even when arrears in the repayment of a farmer occurs. As for the short-term production funds, which are most commonly utilized, the loan interest rate to members by an agricultural cooperative is 12 per cent, while the interest rate on the original source from BAAC is 9 per cent. Therefore, the agricultural cooperatives can steadily obtain a profit. It is as shown in Table 2-6 that the credit business is the breadwinner in the profit at the agricultural cooperatives on which case study was conducted.

Table 2-6 Contribution of credit business to profits of agricultural cooperatives on which case study was conducted

Unit: thousand baht, %

	Name of agricultural cooperative	Gross profit of credit business (A)	Total of gross profits of businesses (B)	A/B
Term ended on March 31, 1979	Sawankaloke	692	530	130.6
	Muang Phon	464	358	129.6
	Muang Loei	357	311	114.8
	Phun Phin	222	134	165.7
	Koksamrong	989	1,190	83.1
	Average of agricultural cooperatives settling accounts in March	545	505	107.9
Term ended on June 30, 1979	Sanpatong	1,300	2,434	53.4
Term ended on September 30, 1979	Banpong	74	112	66.1
Term ended on December 31, 1979	Hat-Yai	94	68	138.2

Upon judgement and decision, the applicant submits a specified letter of agreement, and can obtain the cash with investment of the amount that is equivalent to five per cent of the loan value made in the agricultural cooperatives. This letter of agreement includes to a certain extent the behavior standard in concrete as a cooperatives member such that production activities will be made with farming guidance strictly observed and an immediate report will be made to the agricultural cooperative if it is anticipated due to a certain reason that production will be largely reduced, besides the matters related to guarantee and mortgage.

As for the extent of meeting the demand for funds from cooperative members by an agricultural cooperative, the staff of an agricultural cooperative in charge of credit business generally replies as 30 to 40 per cent. As the demand value increases year after year, each agricultural cooperative makes full use of the credit line given to it by BAAC. Of course this credit line is expanded year after year, there are cases where expansion of the credit line is postponed for a while or there may even be cases where the credit line is contracted, if any event that causes BAAC to have a doubt on the fund management capacity of the agricultural cooperatives arises. Such a case that, as observed at Hat-Yai Agricultural Cooperative, farmers who became exasperated with shortage of credit line of the credit business of the agricultural cooperative withdrew the membership of the agricultural cooperative and joined a farmers' association is also noticed at a number of occasions.

Even with the agricultural cooperatives which temporarily recorded a deficit or at which an event which may be considered as a problem occurred, it is considered in many cases that they are provided with latent capacity in the aspects of organization and talent which enables expansion of credit business with sufficient safety if suitable guidance and checks are provided from outside. If once an agricultural cooperative is evaluated as a cooperative having a problem in the fund management capacity, it becomes very difficult to regain confidence of BAAC with good evaluation recovered, and accordingly, there are many cases where agricultural cooperatives become unnecessarily timid in the management of economic businesses or they have already encountered such a situation and the entire operations are degenerated under the situation in which the credit business, which is the breadwinner, cannot be expanded. It is considered that it is a problem to allow degeneration of agricultural cooperatives due to such circumstances that were described above.

The weight of savings is extremely low as already described, and it is hopeless that savings grows to a large original source for fund raising in the near future. However, there are agricultural cooperatives which have already been obtaining fruits in increasing the propensity to save of cooperative members such as Sanpatong Agricultural Cooperative and at which savings has recently started a rapid growth as a result of positive guidance to cooperative members such as at Sawankaloke Land Settlement Cooperative. It is necessary for every agricultural cooperative to make steady efforts to reduce the negative attitude to savings, which is still strong among the cooperative members, by urging them to once deposit the loans in their accounts at the agricultural cooperative or to reserve the sales in their accounts at the agricultural cooperative as the funds for repayment.

(2) Economic and guidance businesses

The history of agricultural cooperatives in their tackle with economic businesses is still short, and the share of agricultural cooperatives in the processes of distribution of agricultural products is extremely minor as described in the preceding chapter. As for the function for supplying production inputs and consumer goods to farmers, on the other hand, agricultural cooperatives are playing the roll that is as minor as being overlooked in a microscopic field of vision. Even under such a situation, however, it is true that hope of member farmers for expansion of various economic activities of agricultural cooperatives having fair trade as an objective is rapidly rising together with development of economic sense of these farmers. The management of a number of agricultural cooperatives are making efforts to increase the volume of business although they face strong and large walls such as restriction of working capital and required facilities.

The organ that is in charge of the national stage of economic businesses is ACFT. ACFT has rice warehouses having a total capacity of 35,000 tons as well as silos of total capacity of 30,000 tons and flat warehouses of total capacity of 25,000 tons for maize. Besides, warehouses of total capacity of 137,000 tons are leased from Finance Bureau of the Ministry of Finance. ACFT makes investment of 51 per cent of T.J.C. Chemical Co., Ltd., which operates manufacture and marketing of farm chemicals as a joint venture with Japan. The articles handled in the marketing business are limited to rice and maize at the present time, and fertilizer and farm chemicals occupy the majority of dealings of purchasing business. Printing business is also operated. The volumes these businesses are shown in Table 2-7.

The economic business of primary agricultural cooperatives are as shown in Table 2-8. Rice and maize occupy the majority of dealings of the marketing business. But the weight of consumer goods is high among the articles of dealings of the purchasing business.

Although provincial federations are located in 26 provinces, two of them mainly operate credit business, and some of the provincial federations do not operate business activities in particular. As a result, the number of provincial federations which are tackling with marketing business with rice mills and warehouses utilized is as small as 15.

Table 2-7 Business dealings of ACFT

	Export (marketing)		Supply of agricultural in-puts			Printing
	Maize	Rice	Fertilizer	Farm chemicals	Others	
1969/70	t	t	t	thousand baht	thousand baht	thousand baht
1969/70	51,174	-	4,612	-	-	-
70/71	59,883	-	5,886	65	3,113	15,571
71/72	79,752	-	9,127	463	3,950	18,737
72/73	40,979	-	17,196	1,681	3,358	21,813
73/74	97,163	-	23,992	609	3,703	18,694
74/75	98,969	2,000	21,971	15,389	4,267	25,835
75/76	123,216	20,167	31,272	17,299	9,365	31,441
76/77	83,088	60,723	35,893	17,703	10,071	38,379
77/78	20,000	65,488	61,938	15,526	8,609	29,494
78/79	50,842	10,129	76,425	20,481	6,502	52,387

Source: Information from ACFT; the term begins in April and ends in March.

Table 2-8 Dealings of economic businesses of primary agricultural cooperatives

Unit: million baht

	Marketing business				Purchasing business			
	Rice	Maize	Others	Total	Fertilizer	Farm chemicals & machinery	Living goods	Total
1974	88.7	229.1	19.4	337.2	124.2	18.2	45.6	188.0
1975	190.7	195.0	21.9	407.6	173.0	27.1	93.4	293.5
1976	131.3	216.1	66.9	414.3	148.0	32.0	80.4	260.4
Component ratio								
1974	26.3%	68.0%	5.7%	100.0%	66.6%	9.7%	24.3%	100.0%
1975	46.8	47.8	5.4	100.0	58.9	9.2	31.9	100.0
1976	31.7	52.2	16.1	100.0	56.8	12.3	30.9	100.0

Source: Information from CPD

Rice mills, warehouses, processing facilities and so forth possessed by agricultural cooperatives have been rapidly depleted in the recent years. There are 664 warehouses with total capacity of 315,425 tons, 42 rice mills of mean daily processing capacity of 45.2 tons (a list is shown in Table 2-9), one assorted feed factory of daily production capacity 5 tons for poultry farming, one tea processing factory of daily processing capacity 200 kg and three milk collection centers of total processing capacity 40 tons/day being operated by agricultural cooperatives.

Table 2-9 List of capacity of rice mills possessed by agricultural cooperatives and warehouses attached to mills in 1979

No.	Province	District	Name of Cooperative	Capacity (ton/24 hrs.)	Type	Storages of rice mills	Storage Capacity (ton)
1.	Ayudhya	Nakornluang	Ayudhya Provincial Agricultural Cooperative Federation	80	Steam	1	500
2.	Lopburi	Muang	Lopburi Provincial Agricultural Cooperative Federation	80	Steam	2	1,000
3.	Sara-Buri	Sao-Hai	Sara-Buri Provincial Agricultural Cooperative Federation	60	Steam	1	500
4.	Chacherngsao	Muang	Chacherngsao Provincial Agricultural Cooperative Federation	80	Steam	2	1,000
5.	Nakorn-Nayok	Ban-Na	Nakorn-Nayok Provincial Agricultural Cooperative Federation	80	Steam	2	1,000
6.	Nakornrajasima	Muang	Nakornrajasima Provincial Agricultural Cooperative Federation	80	Steam	1	500
7.	Buriram	Muang	Buriram Provincial Agricultural Cooperative Federation	50	Electricity	2	1,000
8.	Ubolrajatani	Warinchumrab	Ubolrajatani Provincial Agricultural Cooperative Federation	50	Engine	1	500
9.	Chiengrai	Muang	Chiengrai Provincial Agricultural Cooperative Federation	80	Steam	3	1,500
10.	Chiengmai	Muang	Chiengmai Agricultural Cooperative Federation	80	Steam	1	3,000
11.	Petchaboon	Muang	Petchaboon Provincial Agricultural Cooperative Federation	50	Steam	3	2,000
12.	Sukothai	Muang	Sukothai Provincial Agricultural Cooperative Federation	40	Steam	3	2,300
13.	Chainat	Manoromys	Chainat Provincial Agricultural Cooperative Federation	90	Electricity	1	500
14.	Nakornsawan	Muang	Nakornsawan Provincial Agricultural Cooperative Federation	50	Steam	-	-
15.	Uthaitani	Muang	Uthaitani Provincial Agricultural Cooperative Federation	50	Steam	-	-
16.	Suphanburi	Muang	Suphanburi Provincial Agricultural Cooperative Federation	110	Steam	1	500
17.	Kampangpetch	Muang	Kampangpetch Provincial Agricultural Cooperative Federation	60	Steam	-	-
18.	Singh-Buri	Muang	Singh-Buri Provincial Agricultural Cooperative Federation	60	Steam	2	1,000

No.	Province	District	Name of Cooperative	Capacity (ton/24 hrs.)	Type	Storages of rice mills	Storage Capacity (ton)
19.	Khon-Khan	Muang	Khon-Khan Provincial Agricultural Cooperative Federation	50	Steam	-	-
20.	Surin	Muang	Surin Provincial Agricultural Cooperative Federation	60	Steam	-	-
21.	Samut-Prakarn	Bang-Plee	Bang-Plee Agricultural Cooperative	20	Engine	1	500
22.	Nakornrajasima	Soong-Nern	Soong-Nern Agricultural Cooperative	20	Engine	3	1,300
23.	Udonrtani	Nonghan	Muang-Nonghan Agricultu- ral Cooperative	8	Engine	2	1,000
24.	Kalasin	Yang-Talad	Yang-Talad Agricultural Cooperative	20	Electri- city	1	500
25.	Nakorn-Panom	Naka	Naka Agricultural Cooperative	20	Electri- city	3	1,500
26.	Nakorn-Panom	Ta-Uthan	Ta-Uthan Agricultural Cooperative	20	Electri- city	2	1,000
27.	Chiengmai	San-Patong	San-Patong Agricultural Cooperative	24	Engine	4	2,000
28.	Lampoon	Muang	Hari-Poonchai Agri- cultural Cooperative	20	Engine	1	500
29.	Lampang	Hang-Chat	Hang-Chat Agricultural Cooperative	20	Electri- city	1	500
30.	Petchaburi	Muang	Muang Petchaburi Agricultural Cooperative	20	Engine	1	500
31.	Petchaburi	Banlard	Banlard Agricultural Cooperative	40	Engine	2	1,000
32.	Pataloong	Khao-Chaison	Muang Khao-Chaison Agricultural Cooperative	20	Steam	-	-
33.	Surat-Tani	Poon-Pin	Poon-Pin Agricultural Cooperative	20	Engine	1	500
34.	Nakornsri- thamaraj	Chien-Yai	Chien-Yai Agricultural Cooperative	20	Electri- city	1	500
35.	Prachin-Buri	Muang	Muang Prachin-Buri Agricultural Cooperative	20	Engine	2	1,000
36.	Pataloong	Kuan Kanoon	Kuan Kanoon Agricultural Cooperative	20	Electri- city	2	1,000
37.	Nakornpathom	Nakornchaisri	Nakornchaisri Agri- cultural Cooperative	20	Electri- city	-	-
38.	Suphanburi	Dermbang- Nangbouch	Dermbang-Nangbouch Agricultural Cooperative	24	Electri- city	1	1,000
39.	Nontaburi	Trainoi	Trainoi Agricultural Cooperative	40	Electri- city	-	-
40.	Udonrthani	Ban-pue	Ban-pue Agricultural Cooperative Under ARD	36	-	1	700
41.	Sakolnakorn	Sawangdandin	Sawangdandin Agricultural Cooperative Under ARD	80	-	1	800
42.	Sakolnakorn	Varichapoom	Varichapoom Agricultural Cooperative Under ARD	36	-	-	-
				1,898		55	32,600

Let us observe in more detail the marketing and purchasing businesses operated by primary agricultural cooperatives. Table 2-10 directly expresses the reality of the marketing business. The fact that the number of agricultural cooperatives at which their members are availing the marketing businesses of cooperatives is as many as 163 out of 495 sample agricultural cooperatives gives an unexpected impression at a glance. But the number of agricultural cooperatives at which the turnover per member is as minor as 240 baht per year is 322, being the majority, and in short, it can be learned that although the marketing business of agricultural cooperatives is limited only to a part of products and the rest is sold to village middlemen or the like by the majority of cooperative members.

Accordingly, there are as many as 329 agricultural cooperatives of extremely small volume of business of annual sales 300,000 baht or less. Such agricultural cooperatives that the business profit ratio to sales is 2.8 per cent or less and marketing business makes no contribution to the overall balance or even making departmental deficit occupy the majority.

Table 2-10 Outline of marketing business of primary agricultural cooperatives

	No. of samples	Ratio of members who avail service			Business profit ratio to sales				Sales (thousand baht)					Sales per member (baht)					
		81-90% or more	71-80%	61-70%	60% or less	11.7% or more	7.41-11.7%	5.01-7.4%	2.81-5%	2.8% or less	2300 or more	1000-2300	700-1000	300-700	300 or less	1951 or more	891-1950	481-890	241-480
North area	114	49	2	3	60	12	14	10	7	71	9	14	9	14	8	13	12	16	65
Northeast area	148	38	4	3	95	20	16	12	12	88	6	10	5	15	8	3	14	10	113
South area	73	13	1	2	54	5	2	1	2	63	5	6	3	3	8	3	7	2	53
Central area	160	63	4	3	89	9	15	17	15	104	16	28	10	13	20	24	12	14	90
Total	495	163	9	16	298	46	47	40	36	326	36	58	27	45	44	43	45	42	322

Original source: Same as that of Table 2-4.

Table 2-11 Marketing business of agricultural cooperatives on which case study was conducted

	Sanpatong	Sawankaloke	Muang Phon	Muang Loei	Koksaurong	Phun Phin	Hat-Yai
Sales	6,343	7,261	861	3,311	7,327	1,605	1,246
Gross profit of marketing business	462	-142	8	-28	103	-90	-3
Ratio to gross profit of all businesses	19.0	-29.2	2.2	-8.5	5.4	-67.2	-4.4

Unit: thousand baht, %

Note: Banpong Sugarcane Growers Agricultural Cooperative does not perform marketing business.

When the contents of settlement of accounts of the last term of the agricultural cooperatives on which case study was conducted are observed, those which are capable of producing a profit in the stage of gross profit of businesses are two agricultural cooperatives, that is, Sanpatong Agricultural Cooperatives and Koksamrong Agricultural Cooperatives. When distribution of general administration expenses is taken into account in addition, it is considered to be a long time ahead of time when marketing business materializes as a business.

What largely restrict development of marketing business of agricultural cooperatives are lack of working capital for marketing business and lack of funds for credit business as the original source of loan for production funds to farmers. Of course raising of facilities funds required for repleting facilities such as warehouses and rice mills is also entirely insufficient. Lack of these working funds indicates that it is not possible to obtain credit of even short-term funds which revolve every year in the present situation of financial credibility of agricultural cooperatives.

It is very rare for many farmers that they have allowance in cash or savings. They require fund raising from outside sources at each occasion of expenditure in all aspects of life and production activities. Under these circumstances, those who play the role of village middlemen should back up these farmers with funds.

When marketing business of agricultural cooperatives is observed from the standpoint of income and expenditure of agricultural cooperatives, the commission which should be received by agricultural cooperatives in the process of dealing of products is not clearly specified and the cases where no commission is collected at all are not rare. Furthermore, there even are cases where such a method that when price variation occurs to purchased products during the storage period, it is returned to the members if a profit is produced and it is born by the cooperative if a loss occurs, which will not last at all, is taken.

To tackle with marketing as a business, it is essential to have thorough understanding of the members regarding their duties as well as merits and to specify clear regulations also for strengthening credibility of the agricultural cooperative itself.

It was mentioned in Part I that introduction of MOF system for dealing of rice brought about reduction or termination of marketing business at a number of agricultural cooperative. The outline of MOF is described below.

The MOF is a so-called public corporation which was established in 1974 based on "Royal Decree Related to Establishment of MOF". The following eight are described as the objectives of the MOF in Article 6 of this Royal Decree

- 1) To make efforts to form a market as the center for dealing the products at the prices fair to farmers
- 2) To promote and assist farmers and farmers' organizations to directly market their products without intermediate merchants
- 3) To supply the products collected from farmers, daily necessities and so forth at reasonable prices

- 4) To support prices of agricultural products
- 5) To assist production, marketing, storage, transportation and so forth of agricultural products performed by farmers and farmers' organizations
- 6) To accelerate activities such as dealing, transportation and storage of agricultural products, production inputs, facilities, daily necessities and so forth performed by farmers' organizations
- 7) To make efforts to improve quality, standard and productivity of agricultural products in accordance with the needs of the market
- 8) To represent the Government of Thailand for mediating agricultural production inputs and daily necessities to farmers at reasonable prices

For the purpose of accomplishing the objectives stated above, the MOF is permitted to operate businesses such as purchase of farm products and inputs for stabilizing their prices, export of farm products, import of inputs and provision of necessary facilities besides trading and credits relations in reality. The minimum guaranteed prices of main farm products in fiscal 1979 are shown in Table 2-12 for reference.

Table 2-12 Standard prices of MOF in fiscal 1979

Rice		Maize	Castor seed	Cotton	Mung bean	Soybean	Peanut
100%	I 3,400 baht/t	Wholesale price in Sept. '79	2.00 baht/kg	7.71 baht/kg	10.50 baht/kg	6.45 baht/kg	6.50 baht/kg
	II 3,300	Parity price	2.43	6.08	11.62	7.94	6.20
	III 3,200	Production cost + 20% profit	2.11	7.07	10.76	6.40	6.14
5%	3,100	(Production cost)	(1.75)	(5.89)	(8.97)	(5.34)	(5.39)
10-15%	3,000	Stabilized price of previous year	2.00	-	I 12.50 II 12.00 III 11.50 IV 10.00	-	5.50
25%	2,900						-
Glutinous rice	2,700	Stabilized price of this year	2.200	7.00	I 13.50 II 13.00 III 12.50 IV 11.00	6.50	6.20
	2,700						6.20

Source: Document decided by the Cabinet on November 21, 1979 "Stabilized Prices of Main Agricultural Products"
 The subject stabilized prices are enforced beginning in this fiscal year for castor seed, mung bean and peanut. Cotton is with seed and soybean is of Class 2.

The MOF has been the organ in charge in practice of execution of the policy for supporting prices of rice and other main six crops based on a decision of the Cabinet, and on the other hand, it has been playing the role of supplying production input such as fertilizer brought to Thailand by foreign assistance to farmers at low prices on behalf of the government. Particularly for supplying such fertilizer, farmers' associations were selected as the supply channel based on the policy to lay emphasis on the farmers who are not affiliated with agricultural cooperatives, and as a result, the power of farmers' associations rapidly increased at many places.

Although the MOF originally is a government organization, it has become such an entity that performs the functions of "another system organization", as it were, through close connection with farmers' associations, and as a result, it presses economic activities of agricultural cooperatives.

The method of operation in concrete as for purchase of rice is simply introduced below.

The Ministry of Agriculture and Cooperatives establishes "Rice Trade Control Center". The Vice-minister of the Ministry of Agriculture becomes the chairman of this committee, and Director General of DA, Director General of CPD, Director General of CAD and executive director of MOF assume office as committee members. As for the provincial committees, the Ministry of Interior appoints the governor of each province as the chairman of the committee, and province resident officers of related ministries, representative of MOF and so forth assume office as committee members. The Control Center decides the final purchase prices classified quality, besides having overall commanding functions. The provincial committee examines prices classified by quality which correspond to the situation of the region. Besides, the provincial committee organizes district committees and orders these district committees to be in charge of purchase of rice in practice. The district committee having the governor of the district as the chairman stores purchased rice in leased warehouses such as warehouses of agricultural cooperatives and warehouses possessed by MOF, uses the facilities of agricultural cooperatives with priority as for rice mills, and finally sells rice to the Ministry of Commerce and MOF. The purchasing funds are distributed from MOF and CPD to district committees through provincial committees, and cash is handed to farmers by district committee members. Agricultural cooperatives do not make participation at all in this process except that they receive warehouse charges and/or rice milling charges.

Table 2-13 clarifies the situation of purchasing business which is generally identical to that of marketing business.

Although there are many agricultural cooperatives at which 90 per cent or more of members avail purchasing business of agricultural cooperatives. But again the number of agricultural cooperatives at which the sales per member is as small as 180 baht or less is 159, which is equivalent to 32.1 per cent of 495 sample agricultural cooperatives. As for the sales, there are as many as 172 agricultural cooperatives the sales of which is 170,000 baht or less. It is thus indicated in this table how small the scales of many of agricultural cooperatives are. In the aspect of earnings, the business profit ratio to sales is 3.6 per cent or less at many of agricultural cooperatives. However, the number of agricultural cooperatives the business profit to sales ratio of which is 12.9 per cent or more is 85, which is equivalent

Table 2-13 Outline of purchasing business of primary agricultural cooperatives

	No. of samples	Ratio of members who avail service				Business profit ratio to sales			Sales (thousand baht)					Sales per member (baht)							
		90% of more	81-90%	71-80%	61-70%	60% of less	12.9% or more	8.41-12.9%	5.81-8.4%	3.61-5.8%	3.6% or less	1250 or more	640% 1250	330-640	170-330	170 or less	1201 or more	601-1200	341-600	181-340	180 or less
North area	114	88	4	5	2	15	17	27	19	17	34	17	15	21	16	45	15	13	21	23	42
Northeast area	148	114	15	7	6	16	34	37	26	22	29	13	18	34	23	60	12	12	37	30	57
South area	73	37	3	3	10	20	8	5	8	24	28	2	10	8	23	30	9	11	9	19	25
Central area	160	108	10	8	8	26	26	28	33	27	46	48	29	26	20	37	50	40	21	14	35
Total	495	347	32	23	26	77	85	97	86	90	137	80	72	89	82	172	86	76	88	86	159

Original source: Same as that of Table 2-4.

Table 2-14 Purchasing business of agricultural cooperatives on which case study was conducted

Unit: thousand baht, %

	Sanpatong	Sawankaloke	Muang Phon	Muang Loei	Koksamrong	Banpong	Phun Phin	Hat-Yai
Sales	8,382	14,620	1,278	992	3,859	1,361	238	128
Gross profit of marketing business	663	-166	-114	-15	383	38	2	-23
Ratio to gross profit of all businesses	27.2	-34.2	-31.8	-4.6	19.9	33.9	1.5	-33.8

to 17.2 per cent of all agricultural cooperatives, and growth as a business is slightly observed compared to marketing business. At the agricultural cooperatives on which case study was conducted, although the business gross profit is almost kept at surplus levels at four cooperatives, purchasing business is far from the state that supports earnings of agricultural cooperatives.

As for the guidance business, many of agricultural cooperatives do not indicate positive attitude to tackle it in general, although it is originally the most important business and economic businesses of agricultural cooperatives and for giving real understanding of significance of existence of agricultural cooperatives to farmers. However, some examples of development of guidance business with unique contrivances are observed in individual agricultural cooperatives such as guidance for draw-up of farming plans provided by Koksamrong Agricultural Cooperative and model farm of Sanpatong Agricultural Cooperative. The fact that positive proposal of members of these agricultural cooperatives to their cooperatives conspicuously suggests how guidance business plays an important role in the elevation of member consciousness. How to tackle guidance business is concerned with the future image of agricultural cooperatives in Thailand, and therefore, the direction to be taken is examined in the next section.

3. Situation of Management of Agricultural Cooperatives

(1) Situation of management

When the situation of management of agricultural cooperatives is observed, it is learned from the following tables that steady growth has been made year after year as a whole. The direct gains of businesses of agricultural cooperatives grew by 8.1 times in the period of 1971 through 1975, and remarkable expansion was accomplished since 1973 in the process of stabilization of economic businesses. Economic businesses, however, involve high costs compared to credit business, and the growth of gross profit of business in the same period is only 3.0 times. As for the share of credit business, although it decreased from 69.4 per cent in 1971 to 22.8 per cent in 1975 in the direct gains of business, the share of 63.8 per cent is still maintained as of 1975 in the gross profit of business.

When the situation of agricultural cooperatives gaining profits and agricultural cooperatives suffering from losses is observed, the ratio of agricultural cooperatives gaining profit has been rapidly decreasing since 1975, and in 1977, the number of agricultural cooperatives suffering from losses is 95, which is equivalent to 17.2 per cent of all agricultural cooperatives. It is also noteworthy that the mean loss value is 170,000 baht while the mean profit value is 150,000 baht.

Table 2-15 Situation of management of agricultural cooperatives

Unit: thousand baht, %

	1971	Component ratio	1972	Component ratio	1973	Component ratio	1974	Component ratio	1975	Component ratio
Direct gains of businesses	106,250	100.0	113,272	100.0	280,193	100.0	591,529	100.0	859,211	100.0
Of credit business included in the above	73,777	69.4	88,497	78.1	109,095	38.9	117,884	19.9	196,216	22.8
Direct expenses of businesses	68,035	64.0	71,985	63.6	211,371	75.4	507,802	85.8	743,681	86.6
Of credit business included in the above	39,956	37.6	49,477	43.7	60,371	21.5	70,914	12.0	122,467	14.3
Gross profit of businesses	38,215	35.9	41,287	36.4	68,822	24.6	83,727	14.2	115,530	13.4
Of credit business included in the above	33,821	31.8	39,020	34.4	48,724	17.4	46,970	7.9	73,749	8.6
Other business incomes	-	-	-	-	-	-	-	-	6,103	0.7
Gross profit of businesses	38,215	35.9	41,287	36.4	68,822	24.6	83,727	14.2	121,633	14.2
Business administration expenses	15,597	14.7	15,277	13.5	28,227	10.1	65,343	11.0	87,887	10.2
Business profit	22,618	21.3	26,010	23.0	40,595	14.5	18,385	3.1	33,746	3.9
Non-business income	1,608	1.5	2,161	1.9	3,669	1.3	8,938	1.5	11,910	1.4
Net profit	24,226	22.8	28,354	25.0	44,371	15.8	40,866	6.9	52,634	6.1
(Loss total)	-	-	(183)	(0.2)	(108)	(0.0)	(13,544)	(2.3)	(6,977)	(0.8)

Source: CAD "Statistical Report on Financial Affairs of Agricultural Cooperatives"

As already described in Part I, four agricultural cooperatives, which is one half of eight agricultural cooperatives on which case study was conducted are suffering from losses. At Sawankaloke Agricultural Cooperative out of said four cooperatives suffering from losses, it is the main cause for loss that the total dealings of purchasing business had expanded to 5.1 times of that of previous year and the total dealings of marketing business had expanded to 2.0 times of that of previous year in the one year period ended in March 1980, various expenses had also expanded accompanying such expansion of businesses and business gross profits of these two departments changed into large deficits. Also at other three agricultural cooperatives it can be learned that the results in the stage of business gross profits of marketing business and purchasing business exert influence over the management of the whole agricultural cooperative. Needless to say, the characters of promotion of business are largely different between credit business and economic businesses of an agricultural cooperative, and it is wrong to observe the profit and loss of all departments with the same standard, as it involves the danger of converting the attitude for expansion of economic businesses negative. As an opposite example, superior result was obtained as for the management of the whole agricultural cooperative at Sanpatong Agricultural Cooperative at which marketing business and purchasing business are positively developed. It is proved at this agricultural cooperative that correct positioning of collective and coordinated business management as the management policy leads to sound management. In this connection, the share of credit business in the gross profit of all businesses at Sanpatong Agricultural Cooperative is 42.2 per cent, which is the lowest among eight cooperatives of case study, but the profit for the current term is 2.03 million baht, which is the highest of these eight agricultural cooperatives.

Table 2-16 Cooperatives gaining profits and cooperatives suffering from losses

Year	Cooperatives gaining profits		Cooperatives suffering from losses	
	Total No. of cooperatives	No. of cooperatives	Total amount of profit	Total amount of loss
1973	395 (-)	383 (97.0%)	thousand baht 28,354	thousand baht 183
74	460 (-)	451 (98.0)	74.03	108
75	544 (4)	482 (89.3)	98.38	13,544
76	537 (17)	445 (85.6)	84.78	6,977
77	587 (35)	454 (82.2)	118.28	16,117
			149.81	15.25
				12.00
				233.52
				93.03
				169.65

Source: Referencés attached to NESDB "Five Year Program"; original source is from CAD. Figures in () in the column of Total No. of cooperatives are numbers of non-operating cooperatives included in the total numbers.

What cause slump in management of agricultural cooperatives are 1) earnings are minor because of being in early stage of establishment; 2) control is unsuitable; 3) recovery of loans is delayed and amount of advance payment of interest is large; 4) purchased farm products could not be sold at expected prices due to instability of market prices; and so forth in general. It can be said that these factors are applicable to many agricultural cooperatives suffering from losses and that they should be solved in the future.

Those positively pointed out as the problems in accounting processing by CAD based on the results of audit of accounting of agricultural cooperatives are 1) bookkeeping is inappropriate (loans, accounts receivable, capital, etc.); 2) efforts for recovery of credit is insufficient; 3) employees having usual accounting processing capability are insufficient; 4) internal control system is incomplete; and so forth. It was clarified as a result of audit in fiscal 1975 that excess or shortage of cash is as much as 1,243,000 baht in total at 35 agricultural cooperatives, excess or shortage of merchandise is as much as 2,653,000 baht in total at 27 agricultural cooperatives. The value of excess or shortage of merchandise is equivalent to 0.9 per cent of total dealings of purchasing business of the subject fiscal year. To secure capable staff members and to consolidate the management control system are extremely important subjects which should be solved in parallel with expansion and increase of positiveness of business activities.

(2) Situation of finances

Because of the fact that economic businesses are immature at agricultural cooperatives in Thailand as described above, their investment of assets is inclined to what is overconcentrated to loans of credit business. In the aspect of fund raising, savings of cooperative members has an extremely limited share, and owned capital is not accumulated to such an extent that is suitable for the growth of the volumes of businesses, and under these circumstances it is unavoidable that the share of borrowed money becomes large. Table 2-17 indicates the progress of financial structure of agricultural cooperatives in Thailand in five year period beginning in 1971. The capital account which occupied 39.1 per cent of the whole raised value in 1971 was reduced to 23.8 per cent in 1975, and on the other hand, short-term debts increased its share from 58.5 per cent to 66.2 per cent in the mean time.

Table 2-17 Financial structure of agricultural cooperatives
in Thailand (average per cooperative)

Unit: thousand baht, %

	1971	Component ratio	1972	Component ratio	1973	Component ratio	1974	Component ratio	1975	Component ratio	
Working assets	Floating assets	1,293	95.1	2,075	94.3	2,306	93.8	3,059	92.0	4,790	91.6
	Loan included in the above	1,688	84.8	1,853	84.2	1,885	76.7	2,234	67.2	3,534	67.6
	Fixed assets	43	2.2	60	2.7	88	3.6	154	4.7	223	4.3
	Other assets	54	2.7	66	3.0	65	2.6	111	3.3	216	4.1
Gross assets	1,990	100.0	2,201	100.0	2,459	100.0	3,324	100.0	5,227	100.0	
Procurement floating liabilities	Floating liabilities	1,194	60.0	1,329	60.4	1,480	60.2	2,231	67.1	3,877	74.2
	Debt included in the above	1,164	58.5	1,285	58.4	1,358	55.2	1,978	59.5	3,460	66.2
	Deposits included in the above	-	-	25	1.1	56	2.3	72	2.2	106	2.0
	Fixed liabilities	17	0.9	27	1.2	50	2.0	62	1.9	92	1.8
	Other liabilities	-	-	-	-	-	-	7	0.2	12	0.2
Capital	779	39.1	845	38.4	929	37.8	1,024	30.8	1,246	23.8	

Original source: CAD "Statistical Report on Financial Affairs of Agricultural Cooperatives (1976)"

Table 2-18 summarizes the financial structure in the past two terms of five agricultural cooperatives which settle accounts at the end of March out of eight agricultural cooperatives on which case study was conducted. Debts have not increased in the aspect of procurement and large changes are not observed in the aspect of extending loans except for a few cooperatives, and it is gathered that the asset scale itself is in the slump state when advancement of inflation is taken into account.

Borrowing from outside of BAAC has already been level off because of the present own power of agricultural cooperatives such as fund managing capacity and accumulation of owned capital as already described at the occasion of analysis of credit business, and it is considered that expansion of businesses is hindered in the state where new fund sources cannot be found.

It is needless to say that the first step for breaking through the bottleneck in financial aspect is the effort for improvement of the foundation of every agricultural cooperative itself. Strengthening of the foundation for existence through upbringing of talent, request for cooperation for repletion of owned capital by making thorough member training and other means; planning of a program which can be materialized in steps as for how and when each business department should be developed in the future with examination made from short-term viewpoint as well as medium and long-term viewpoint; and establishment an "agricultural cooperative promotion program" which integrates them will provide prospect toward the future to the subject agricultural cooperative itself, and at the same time, these means provide the shortest way for steadily improving reliance of the members on their agricultural cooperatives and outside credibility of the agricultural cooperative.

But it is also a fact that financial aid from outside of agricultural cooperatives is positively needed as what induces the autonomous efforts of agricultural cooperatives themselves for improving their foundation in order to allow these efforts made by agricultural cooperatives to be fruitful. As long as each agricultural cooperative is an independent business concern, aid from outside particularly in the financial aspect should be made carefully, but it is considered that the fund raising capacity of many of agricultural cooperatives is fragile today to such an extent that is not capable of obtaining even the initial explosive for providing momentum of smooth expansion of businesses.

Table 2-18 Financial structure of agricultural cooperatives on which case study was conducted (with five cooperatives settling accounts in March)

As of March 31, 1978

Unit: thousand baht, %

	Sawanka-loke	Component ratio	Muang Phon	Component ratio	Muang Loei	Component ratio	Koksam-rong	Component ratio	Phun Phin	Component ratio	Average	Component ratio
Working												
Floating assets	15,404	91.3	7,452	87.9	10,864	91.2	23,211	93.3	7,683	88.2	12,923	91.2
Loan included in the above	5,051	29.9	6,314	74.5	9,462	79.4	17,535	70.5	5,468	62.8	8,766	61.9
Fixed assets	1,266	7.5	745	8.8	763	6.4	1,010	4.1	918	10.5	940	6.6
Other assets	200	1.2	282	3.3	288	2.4	655	2.6	110	1.3	307	2.2
Gross assets	16,870	100.0	8,479	100.0	11,915	100.0	24,876	100.0	8,711	100.0	14,170	100.0
Procurement floating liabilities												
Floating liabilities	1,746	10.4	5,343	63.0	9,193	77.2	16,074	64.7	7,139	82.0	7,899	55.8
Debt included in the above	1,000	5.9	5,157	60.9	8,543	71.7	15,264	61.4	5,986	68.7	7,190	50.7
Deposits included in the above	48	0.3	52	0.6	34	0.3	199	0.8	141	1.6	95	0.7
Fixed liabilities	6,046	35.8	500	3.5	300	2.5	160	0.6	281	3.2	1,417	10.0
Other liabilities	69	0.4	16	0.2	18	0.1	78	0.3	39	0.4	44	0.3
Capital	9,009	53.4	2,820	33.3	2,404	20.2	8,564	34.4	1,252	14.4	4,810	33.9

As of March 31, 1979

	Sawanka-loke	Component ratio	Muang Phon	Component ratio	Muang Loei	Component ratio	Koksam-rong	Component ratio	Phun Phin	Component ratio	Average	Component ratio
Working												
Floating assets	16,434	88.6	9,537	90.1	11,889	92.0	24,848	93.9	7,754	89.1	14,092	91.2
Loan included in the above	4,252	22.9	8,290	78.3	9,624	74.5	17,509	66.0	5,293	60.8	8,994	58.2
Fixed assets	2,013	10.8	704	6.6	957	7.4	988	3.7	896	10.3	1,112	7.2
Other assets	118	0.6	347	3.3	80	0.6	634	2.4	50	0.6	246	1.6
Gross assets	18,564	100.0	10,588	100.0	12,926	100.0	26,470	100.0	8,700	100.0	15,450	100.0
Procurement floating liabilities												
Floating liabilities	1,600	8.6	6,788	64.1	10,214	79.0	16,300	61.6	7,216	83.0	8,424	54.5
Debt included in the above	982	5.3	6,621	62.5	9,654	74.6	15,466	58.4	5,852	67.3	7,715	49.9
Deposits included in the above	111	0.6	49	0.5	66	0.5	735	2.8	157	1.8	224	1.4
Fixed liabilities	8,240	44.4	300	2.8	100	0.8	160	0.6	229	2.6	1,806	11.7
Other liabilities	87	0.5	16	0.2	19	0.1	124	0.5	56	0.6	60	0.4
Capital	8,638	46.5	3,484	32.9	2,593	20.1	9,886	37.3	1,199	12.8	5,160	33.4

(3) Situation of staff of agricultural cooperatives

According to a survey made by CPD, the average number of staff per agricultural cooperative is 2.86 persons. Table 2-19 indicates the number of staff as classified by division of duties at 545 agricultural cooperatives. It indicates that the total number of staff of all of these 545 agricultural cooperatives is only 1,559 persons. Although the average number of staff is as small as 2.86 persons today, it has been increased to about four times compared to 0.7 persons of ten years ago (according to a survey made by CLT). Agricultural cooperatives with "no staff" were not rare until recently.

When the number of staff is observed as classified by the duties, the number of agricultural cooperatives having managers is 32 per cent of all, and the number of agricultural cooperatives having assistant managers is 28 per cent of all. The total of these two figures barely reaches 60 per cent. Although bookkeeping and accounting staff and credit staff are working at nearly 60 per cent respectively of all the agricultural cooperatives, it is judged that such a structure is entirely insufficient when routine works of acceptance and judgement of application for loans and of preservation of liabilities are considered. It is the present situation that the number of staff in charge of guidance of agricultural technology is as small as eight at all of 545 agricultural cooperatives, that is, only at the rate of one person per 68 agricultural cooperatives.

Table 2-19 Number of staff of agricultural cooperatives

Division of duties	No. of persons	Average per cooperative
Manager	175	0.32
Assistant manager	154	0.28
Bookkeeping & accounting	319	0.59
Credit	317	0.58
Guidance of farming technology	8	0.01
Clerk	112	0.21
General (purchase, marketing, etc.)	474	0.87
Total	1,559	2.86

Source: Survey made by CPD with 545 agricultural cooperatives

What supplement such weakness of staff structure of agricultural cooperatives are CPD officers. Besides 1,180 persons working at CPD head office in Bangkok, 1,010 persons are resident in the towns where provincial offices are located and in addition 2,003 persons are resident in as many as 690 towns where district offices are located, and are working to provide routine guidance. The number of CPD officers in the stages of province and district alone is as many as nearly two times of the number of staff of all the agricultural cooperatives. Many of agricultural cooperatives offer a part of the office as the CPD district office, and agricultural cooperatives at which such a situation that business activities of the agricultural cooperatives are performed in the same building with a

resident CPD officer and that the CPD officer is substantially controlling the manager, assistant manager and other cooperative staff for performance of routine works because of absence of full time working structure of chief director and directors is not rarely observed. Although such a situation provides the advantage of supplementing weakness of clerical work processing structures of agricultural cooperatives, excessive intervention by CPD officers may easily occur.

Under these circumstances it is an urgent requirement to make consolidation of staff structure that meets expansion of organization, businesses and management of agricultural cooperatives by strengthening the structure of staff upbringing and training by CPD, CLT and so forth. The training for those concerned with agricultural cooperatives conducted in fiscal 1979 under the sponsorship of CLT was of the following six occasions, and we expect further positive extension.

- | | | |
|----|--|---|
| 1) | Province leader conference of agricultural cooperatives, fishermen's cooperatives and land settlement cooperatives | 180 persons
(8 days) |
| 2) | Training of directors of agricultural cooperatives and land settlement cooperatives | Held for every
2 provinces.
2,700 persons
in total |
| 3) | Training of managers of agricultural cooperatives | 408 persons
(5 days) |
| 4) | Training of accounting staff of agricultural cooperatives and land settlement cooperatives | 48 persons
(2 weeks) |
| 5) | Training of chairmen and managers of provincial federations related to rice mill business | 70 persons
(5 days) |
| 6) | Training of chief directors and managers of agricultural cooperatives related to marketing of maize | 110 persons
(5 days) |

CHAPTER 3 RECOMMENDATIONS RELATED TO MEASURES FOR UPBRINGING AND STRENGTHENING AGRICULTURAL COOPERATIVES

1. Basic Viewpoint of Recommendations

Various measures for improving agricultural production and standard of living of farmers have been taken in Thailand up to the present time, and many of them lay emphasis on upbringing of agricultural cooperatives. It appears, however, these attempts in general have not brought the intended fruits, although certain valuable effects were obtained, and large fruits are expected in the future in various aspects. These facts really indicate the situation surrounding agricultural cooperatives, and particularly many problems such as distribution of agricultural products and agricultural inputs, financing in villages and so forth as entangled to each other, are deep-rooted and can not be solved easily. On the other hand, it is possible to find the following common factors obstructing effective development of agricultural cooperatives.

- 1) There has been a tendency that such clear facts that the leadership for upbringing agricultural cooperatives should be entrusted to agricultural cooperatives themselves and that everlasting effect cannot be expected from any physical and human aids unless they are what support this autonomous effort are forgotten.
- 2) There were many cases in which attempts were made to solve problems with one aspect only of each problem seized, although activities of agricultural cooperatives provide the character of integration of a number of businesses which are closely related to each other and the problems of agricultural cooperatives are entangled with extreme complexity.
- 3) It has been impossible to find realistic measures for solving the problem of distribution of agricultural products and agricultural input, which is one of the most important problems, because of powerful controlling force of merchants.

For examination of the measures for upbringing and strengthening agricultural cooperatives at the present time, such a process that what are the functions which should be urgently repleted for agricultural cooperatives under the realistic given conditions including powerful economic power of merchants is re-recognized and that comprehensive and diversified measures are planned for strengthening such functions or for eliminating the factors which obstruct exhibition of such functions is naturally requested.

The attempt to immediately release farmers from the control by merchants with historical processes entirely ignored cannot be considered as a realistic attempt. Agricultural cooperatives should make the maximum efforts for repleting the following two functions for some time for materializing steady improvement of relative position of farmers under the current social and economical given conditions.

- 1) To urge farmers to have self-consciousness regarding agriculture management so as to understand how much value farmers themselves are creating by their production activities and what percentage of

such a value is their portion and to deepen recognition on the significance of existence of agricultural cooperatives as the subjects of fair trade.

- 2) To exhibit the leadership in regional agriculture which is backed up through establishment of middle and long-term vision.

The problems and subjects agricultural cooperatives are facing at the present time, which may become obstructive factors for exhibition of these functions, are as analyzed by us earlier in this report. But these problems or subjects are summarized below once again with the different viewpoint.

- (1) Immatured human resources

Capable men having knowledge and experience which enable them to take initiative in the agricultural cooperative movement are insufficient at each of village level, primary agricultural cooperative level and federation level.

Those farmers who have sufficient management knowledge which enable them to properly seize the results of their production activities are still the minority. It is expected that farm guidance activities of agricultural cooperatives are repleted in the future, and it is anticipated that farmers who can play a leading part for absorption of farming knowhow as nuclei of farmers' groups are brought up.

At the primary agricultural cooperative level it is necessary for the officials to start realistic improvement of management constitution before making an attempt to justify slump of business with lack of funds as the reason. It is unpromising to secure capable men unless the top management has a clear vision for future development of agricultural cooperatives.

Furthermore, it is needless to say that federations should upbringing specialists for controlling broad-area development of various businesses of agricultural cooperatives and for exhibiting the function of quick supply of accurate information to primary agricultural cooperatives.

- (2) Insufficient fund raising capacity

It cannot be denied that growth of credit business and economic businesses is largely restricted by insufficient fund raising capacity, when the current situation of agricultural cooperatives is observed. Furthermore, it is unavoidable to a certain extent that the interest of the management of agricultural cooperatives is mainly directed toward increase of borrowed money, when such current circumstance that considerable length of time will be required before savings will grow to the revenue source that is capable of covering investment and loans.

Under these circumstances it is considered that it is first necessary for increasing the possibility of borrowing to improve credibility of each agricultural cooperative itself. In order to accomplish this objective it may be required to start with consolidation of its foundation including establishment of rules for operation of various businesses so that each agricultural cooperative becomes able to request its members to bear expenses of their due shares.

(3) Insufficient facilities

It is conspicuous as for economic businesses that facilities which should become nuclei for operation of businesses such as rice mills and warehouses in rice producing districts are insufficient and that although excellent facilities are provided individually, transportation system that makes the best use of these excellent facilities is weak at many agricultural cooperatives. It is necessary that future equipment investment should be backed up by middle and long-term business programs and that thorough consideration should be made regarding relationship among facilities and also in coordination with software before execution of such equipment investment.

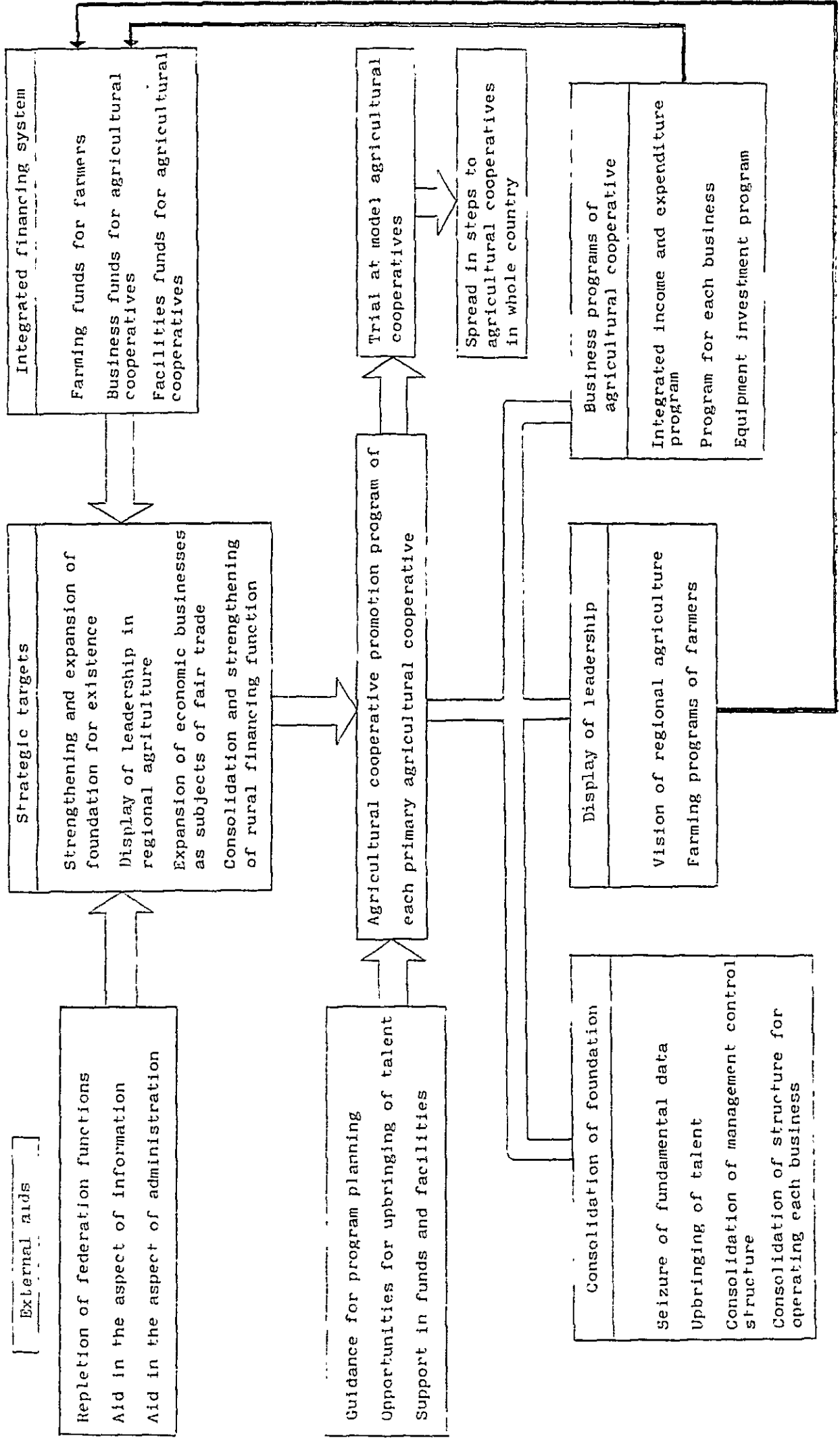
2. Total System for Upbringing and Strengthening Agricultural Cooperatives

In the preceding section we indicated two basic functions repletion of which should be attempted by agricultural cooperatives for some time with the maximum efforts, and at the same time, it was newly recognized that examination of integrated and diversified measures is indispensable for concrete materialization of repletion of these two functions of agricultural cooperatives. The diagram indicated in the following page is what illustrates diversified approach for strengthening functions of agricultural cooperatives at various aspects as a system with the basic viewpoint described earlier as the preconditions.

This system which should be called "Total System for Upbringing and Strengthening Agricultural Cooperatives" at first clearly indicates four strategic targets which are essential for agricultural cooperatives in Thailand for fully exhibiting their functions. It also requests establishment of "integrated financing system" for supporting materialization of these strategic targets and further requests each individual agricultural cooperative to plan out "agricultural cooperative promotion program" for accomplishing the strategic targets with the regional characteristics of each individual agricultural cooperative well utilized. This agricultural cooperative promotion program should be planned for each agricultural cooperative in the state where its officials, staffs and members are united with sufficient advices and supports obtained from various concerns in order that the program will not end as a paper plan. Because of this reason, planning of agricultural cooperative promotion programs is not of such a nature that can be indiscriminately started at the same time in the whole country. But such a careful process that a number of representative agricultural cooperatives are selected as model agricultural cooperatives for some time, these model agricultural cooperatives are caused to plan satisfactory programs based on thorough examinations, results and accomplishments at these model agricultural cooperatives are compared with their programs in each term and successful cases are spread in a number of steps to other agricultural cooperatives is required. The concrete method for planning of this agricultural cooperative promotion program will be described later in this report.

The orientation in outline is also given regarding the realistically considered aids from outside for enabling efforts made by agricultural cooperatives themselves to become more fruitful.

Agricultural Cooperatives



(1) Four strategic targets

1) Strengthening and expansion of foundation for existence

The foundation for existence of each agricultural cooperative is strengthened and expanded by increase of the ratio of affiliation of farmers in the area with the agricultural cooperative and also by increase of the ratio of utilization of the agricultural cooperative by its members. Such strengthening and expansion of the foundation for existence are of such a nature that will be naturally brought as the reliability and credibility of the agricultural cooperative to its members and to outside increase. In this sense it can be said that efforts toward accomplishment of other three strategic targets is the only measure for accomplishing this strategic target.

In reality, however, each agricultural cooperative should make efforts to increase the ratio of its utilization by its existing members in the first step and should solidify the business structure to such an extent that is capable of fulfilling expectation of the members, before promoting expansion of membership. Particularly in the present situation the purpose or motive for affiliation with an agricultural cooperative of the majority of its members is to borrow farming funds, and therefore, there is a large fear that expansion of membership will bring shortage of funds for credit business and increase of fixed liabilities without any advantage, unless the agricultural cooperative causes its existing members to fully understand the roles of the agricultural cooperative which has been primarily playing in the rural economy and regional society and causes its members to thoroughly recognize their duties as members of an agricultural cooperative besides the rights before starting an attempt to expand the membership.

What brings suitable right and duty consciousness to members is development of farm guidance business that is closely connected to credit business and economic businesses. Imposing of cooperative spirit that does not accompany realistic merits should be rejected together with excessive services. Such recognition that utilization of all businesses of their agricultural cooperative "based on proper rules" apparently brings economic merits to individual members and will lead to improvement of relative position of regional agriculture in middle and long run should become common to all the members.

Koksamrong Agricultural Cooperative causes its members to wear its original symbol mark. Even such a minor contrivance is effective for elevating the pride of members and is also effective as an indication of will of being "a farmer who accepts fair transaction only" to outsiders. These effects may be very large for uniting members with the agricultural cooperatives.

2) Display of leadership in regional agriculture

If the credit business of an agricultural cooperative indiscriminately supplies funds even for such investments the effects of which are doubted or if economic businesses of an agricultural cooperatives merely plays retailing function or function as a middle merchant, although transaction may be fair, no profit will be brought to its members, but the attitude toward management of agriculture may become easy-going and the foundation for existence of the agricultural cooperative may be ruined in a long run, although expansion of businesses may be temporarily accomplished.

It has been described a number of times in this report that it is necessary to develop farm guidance business that is organically coordinated with credit business and economic businesses for producing such a sound cycle that smooth farm management of each member causes expansion of businesses of the agricultural cooperative as a result.

A repleted farm guidance business of an agricultural cooperative can be started by an agricultural cooperative having clear middle and long-term vision related to regional agriculture and having a stock of sufficient information and data which enable provision of suitable advices to farmers regarding such subjects that which crops should be produced, how introduction of farm machinery and mutual aid of labor should be made and what is the best time of marketing of each crop, no matter whether the farm guidance is intended for dissemination of agricultural technology or knowledge related to management. In order to enable such a start of farm guidance business it is essential to seize the present situation of agriculture and distribution of agricultural products in the region in advance, and supply of information and data from outside sources may be required regarding national trend of demand and supply and so forth. This matter will be described later in this report.

How practical farm guidance business should be in guidance and advice for planning of farming programs of individual farmers is described in the following section. It is necessary to confirm once again that exhibit of leadership in regional agriculture is not what should remain in an abstract ideology but it is what should be materialized through accumulation of extremely concrete efforts including consolidation of fundamental conditions such as collection of accurate information and data, formation of a solid vision based on such collected information and data, upbringing of capable men who are capable of effectively promoting guidance activities not only among the staffs of the agricultural cooperative but also among members.

3) Expansion of economic businesses as subjects of fair trade

It is needless to explain that agricultural cooperatives should operate economic businesses as the subjects of the most fair trade at the occasions of marketing of agricultural products and of purchase of agricultural inputs by farmers. What is important here is that in order that "fairness of trade" is substantial, it is naturally necessary that it should be formally insisted to outside.

In the individual aspect of trade, first of all, accurate measurement should be made, suitable prices should be applied, and clear rules should have been established regarding commission, interest for deferred payment and so forth. For deciding the commission, consideration is probably required regarding the subject of how profit or loss produced due to variation of market prices of purchased agricultural products should be distributed or compensated, with marketing business for instance, besides the expenses required for rationally and continuously developing the business of the agricultural cooperative.

Next, close tie between farm guidance business and economic businesses is required in order to enable farmers to numerically seize their production and consumption activities through fair trade of agricultural cooperatives. In concrete, guidance of method of control of the flow of product sales prices and loans of credit business by

causing these funds to flow through the accounts with agricultural co-operatives, disseminate the method of numerical seizure of production cost, turnover and so forth using a simple chart and other suitable methods will probably cause farmers to recognize merits of fair trade as actual feeling. There may also be cases where the results of management of a number of farmers are accumulated as valuable data as model patterns for farm guidance to be made thereafter.

It is considered that grasp of numerically indicated profit and loss based on fair trade will solidify reliance of members on their agricultural cooperative, and at the same time, it will cause members to induce new members, will cause expansion of volume of business of the agricultural cooperative, will gradually cause penetration of numerical management sense even to those farmers who are making use of the agricultural cooperative and not will improve relative position of all of the farmers in the region in trade transactions.

4) Consolidation and strengthening of rural financing function

Farm guidance business, economic businesses and credit business should be developed with organic ties maintained among them, and it is needless to say that there is no difference among their importance. When these businesses are observed from the standpoint of members, on the other hand, whether borrowing from credit business can be made or not is probably the most important interest. Under these circumstances it is very effective to use this interest of members to the maximum for the works of the agricultural cooperative requiring response from farmers ranging from presentation of fundamental data of various kinds regarding farm household management through guidance for planning of farming programs of individual farmers brought out of the vision of regional agriculture.

In addition, contrivances for uniting farm guidance with the flow of funds by making it compulsory to make all of repayment of loans, receipt of prices of sold products, payment of prices of purchased goods and so forth through the saving accounts with the agricultural cooperative and also by dividing execution of loans as matched with the time when money is needed in practice, in order to enable members to suitably control production cost and sales prices of agricultural products regularly.

(2) Integrated financing system

For the farmers kept in such a situation that they do not have savings and have no allowance in cash flow, the cases where immediacy of borrowing and the length of time before payment of sales of agricultural products is made are direct factors in determining the partner of trade regardless of the other important conditions are not rare. Under these circumstances it is necessary for agricultural co-operatives to thoroughly seize the situation of management of each individual member at all times so as to enable quick provision of loans of as much amount as possible in correspondence to suitable demand for funds. At the same time, the agricultural cooperatives themselves should also secure suitable flow of cash based on the business program established for each term.

This integrated financing system is such that three supports, namely, farming funds for farmers, business funds for agricultural

cooperatives and facilities funds for agricultural cooperatives, are united through farming programs of farmers based on the vision of regional agriculture, business program of the agricultural cooperatives as well as the process of planning and follow-up of these programs. The procedure for planning farming programs and business programs will be described in detail in the following section. What is important here is that development as a system should be made in such a manner that financing to members and financing to agricultural cooperatives themselves are executed entirely along a series of flows of business and management and at the same time these flows are suitably controlled by the flows of funds. Some comments are described below for these funds.

1) Farming funds for farmers

Regarding short-term loans for acquiring seeds, fertilizer, farm chemicals and labor cost as matched with the production cycles of agricultural products based on the rule of making recovery from sales of products in the harvesting seasons, provisions should be made so that borrowing can be made with relative ease without mortgage such as land, with marketing of products through the agricultural cooperative as the condition. It is considered that around 60 per cent of expected sales volume based on the minimum standard price with reference made to government supported price, past results, market trend and so forth is suitable as the credit line.

Although there are many cases where loan is made by kind such as seeds, but the loan value should be clearly indicated in a monetary value to the borrower in such a manner that a part of the loan which flew through his account with the agricultural cooperative is drawn as the purchase price. It is necessary to make payment of the loan in practice as matched with the time when money is actually needed, for the purpose of preventing occurrence of such phenomena that the farmers who came across funding shortages due to consumption that ignores the program or due to diversion of funds purchase inputs from outside merchants based on the condition to change purchasers of their products from agricultural cooperative to merchants.

On occurrence of arrears accidents, uniform change of debt to long-term funds may be required if they are caused by the Act of God such as natural disasters. If they are caused by intention or by a fault, on the other hand, it may be required to collect additional mortgage or to take compulsory execution. What is important is that finish-up should be made in each term.

With respect to the funds for equipment investment, collection of guarantee and mortgage is required as before. On judgement, however, farmers should be caused to plan their farming programs and thorough examination should be made regarding necessity of investment.

2) Business funds for agricultural cooperatives

As for the funds for credit business to be used as the source of funds to be loaned to farmers by agricultural cooperatives, it may be possible to make drastic expansion in steps of credit lines without collateral as a rule to the agricultural cooperatives having consolidated control structures. For financing, however, loans should be clearly divided by product so that the loan for each product should be finished up in each production season in accordance with its production cycle, like the case of farming funds for farmers.

Regarding the funds for collection and marketing which may be required by a large value depending on the kind of product, it is not suitable to make a situation tight taking into consideration the fact that it is possible for agricultural cooperatives to positively recover loans from their members through expansion of the market business. For such products as rice and maize which are handled in the whole country, financing routes through federations are ideal, and the inventory may be accepted as the collateral in such cases.

3) Facilities funds for agricultural cooperatives

Long term facilities funds should be prepared if facilities such as warehouses and processing mills to become the nuclei for expansion of business are considered indispensable in middle and long-term programs of agricultural cooperatives. For the facilities which are urgently required it may be necessary to expect supports such as fostering with subsidy and establishment of low interest rate financing system when the present capacity of agricultural cooperatives is observed, if it is judged that introduction of such facilities will help expansion of business and make large contribution to members.

(3) External aids

The fact that upbringing and strengthening of agricultural cooperatives depend on the efforts of agricultural cooperatives themselves toward improvement of their foundation does not require stressing. However, it is also important to provide effective and diversified aids from outside for helping these autonomous efforts to bear fruits, in view of the fact that the subject of improvement of the position of agriculture and increase of standard of living of farmers is what should be urgently materialized.

Autonomous efforts of agricultural cooperatives themselves are strictly preconditions for provision of aids, and concrete aids to each individual primary agricultural cooperative should be examined as matched with the real situation in the process of planning of the agricultural cooperative promotion program. But measures from the macroscopic viewpoint for supporting strategic targets which are commonly posted up for all agricultural cooperatives should be provided in different dimension.

Strengthening of functions of federations will play a large role for causing sound growth of economic businesses in particular. In order to allow primary agricultural cooperatives to continue purchase and marketing of agricultural products under stabilized conditions, federations led by ACFT should have considerable capacity in the volume of business of these agricultural products. At the same time, it is requested that economic activities of federations are flexibly developed with actions taken according to the circumstances. In addition, quick supply of market information and data to agricultural cooperatives is also an important duty of federations. Accordingly, provision of local offices of ACFT and of provincial federation may become necessary, and federations themselves will probably be urged to make examination of the measures for strengthening their business structures based on middle and long-term viewpoint including equipment investment such as consolidation of transportation structures and repletion of storing and processing facilities.

Regarding the aid in the aspect of information to primary agricultural cooperatives it is desirable that the information necessary for drawing the vision of regional agriculture such as the trend of agricultural production in the whole country and of import/export and domestic consumption is supplied through CPD besides market information and so forth released from federations.

As for the aid in the aspect of administration, it is requested to make consideration that leads to upbringing of agricultural cooperatives as much as possible in the operation even in the cases where such measures as promotion of land reformation and supporting of prices of agricultural products which aim at improvement of will of farmers for production are taken. Cases where introduction of MOF system, which is a measure for supporting rice prices, caused marketing business of agricultural cooperatives to make a backward movement toward leasing of facilities were observed at a number of agricultural cooperatives we visited for case study. For such agricultural products as rice with stabilized demand in particular it is important to prepare stages which enable entry of agricultural cooperatives in the handling of such products including utilization of ACFT and so forth as the starting boards which allow smooth rotation of marketing business of agricultural cooperatives.

Besides, preparation of low interest rate funds and subsidy for repleting functions of federations is also essential for reinforcing the agricultural products handling capacity of federations. Furthermore, the effects produced by delicate political considerations such as declaration of government guarantee on the repayment of minute deposits cannot be overlooked in order to cause farmers to entrust their accounts with agricultural cooperatives without anxiety as for flow of entire funds such as fund operation in the production process and receipt of sales prices.

BAAC, which is further increasing its share in agricultural financing as represented by the fact that BAAC indicates a positive attitude in loaning to individual farmers, should expand loaning to farmers through agricultural cooperatives and loaning of funds for businesses and facilities of agricultural cooperatives from the viewpoint of systematic promotion and development of agriculture. In order to discontinue the vicious cycle that hardship of borrowing due to lack of credibility makes the way to improvement of foundation to become more roundabout, which is observed at many agricultural cooperatives at the present time, it may also be required to make assessment of credibility generous with promisingness taken into account for the agricultural cooperatives which have potential capacity in the aspect of human resources and at which positive contrivances and volition are observed in the operation of businesses.

3. Development in Concrete at Primary Agricultural Cooperatives

Four strategic targets in the total system will bear fruits in concrete in the process of planning and practice of agricultural cooperative promotion programs of individual primary agricultural cooperatives. It can be said to be a realistic measure, as already described in the preceding section, that planning of agricultural cooperative promotion plans is spread in steps to many agricultural cooperatives through the process of examination of results and accomplishments obtained at a number of model agricultural cooperatives.

(1) Planning of agricultural cooperative promotion program

1) Consolidation of the foundation

Consolidation of the foundation that enables planning of an agricultural cooperative promotion program and its effective practice is the first step of the work.

The agricultural cooperative, first of all, should collect fundamental data related to regional agriculture and present situation of its member farmers. It is necessary that the most updated information and data are arranged at all times regarding total number of households in the area, number of farm households, situation of land utilization, situation of planting, main merchants handling agricultural products and agricultural inputs and so forth. It is also desirable data on cultivated land, kinds of crops, family make-up, working members of family, future managing policy, requests to agricultural cooperative and so forth are seized with every member together with the situation of utilization of businesses of the agricultural cooperative.

Collection of such information can be easily made continuous by establishing such simple proceedings that the sources or method of collection is determined and the time of collection is determined in such a manner that the work is not one-sided in time. Collection of information regarding members can be effectively made through group activities. If it is attempted to collect information of excessive variety or volume, the proceedings for collection become complicated and collection will not last long. In addition, confusion will occur in the use of information of large variety or volume. If the purpose of use is made clear and information is collected with focus made only on the required points, the data obtained as a result of accumulation of information will exhibit a large power even though the information may be simple, as long as collection is made periodically and continuously.

Upbringing of talent is most important in the work of consolidation of the foundation. It is not exaggerating to say that the future of an agricultural cooperative is determined by to which extent the elected office bearers and employees of the agricultural cooperatives are capable of exhibiting their latent capacity.

Systematic enforcement of on-the-job training and outside training for each position such as a clerk behind the counter, marketing staff and manager is effective as a direct means for upbringing of talent. Such education and training should be developed under middle and long-term planning so that they will not end in fragments, and thorough contrivances are also required in the follow-up so that the effects of training make propagation from the trained staffs to other staffs.

What is more important, however, probably is motivation. It is requested that improvement of working conditions is incorporated with suitable positioning in the business program of the agricultural cooperative, and it is important to make motivation in the aspect of consciousness in the natural flow of routine work that the officials and staffs are united and are engaged in the important duty of materialization of vision of regional agriculture.

It is also necessary to consolidate management control structure and structure of each business in preparation for future expansion of business volume. Clarification of authority, forming of working rules and establishment of check system form the basis. It should be intended

to form the framework for making the flow of work in reality smooth instead of making excessive efforts toward establishment of complicated structures from the beginning.

For the credit business it is necessary to clarify concrete proceedings for control of funds making use of accounts with the agricultural cooperative and the method of treatment of arrears accidents. For the economic businesses rules should be established on the method of decision of purchase prices of agricultural products from farmers, handling commission, risk-bearing accompanying variation of prices and so forth. Excessive service spirit is rather disadvantageous for expanding businesses without unnaturalness and with proper rewards for the labor of office bearers and employees of the agricultural cooperative to be secured. It is natural, however, that the rules should be what are fully understood and agreed upon by members, and it is necessary to provide simple and clear proceedings for this purpose.

All business structures should be united together as a system so that credit business, economic businesses and farm guidance business are developed under a close tie. It can also be materialized with relative ease by adding contrivances so as to rationalize the route for collection of information on establishment of proceedings of work in practice such as to cause members to submit common data required for making application for loans of credit business and for making advance order of economic businesses in the process of providing guidance for planning of farming programs to farmers and also so as to enable maximum utilization of opportunities of contact with members.

2) Display of leadership

Each agricultural cooperative is requested to draw a middle and long-term vision on the agriculture of the region in order that staffs of the agricultural cooperative become able to provide suitable guidance and advices at the occasion of planning of farming programs by farmers. The vision should be corrected with the most updated information periodically incorporated regarding such basic matters that what is the most rational combination of kinds of crops, time of planting and technical and management strategic methods of production and what are the roles agricultural cooperative can play in such a combination, which are determined through integrated judgement of macroscopic trend of demand and supply, regional characteristics and real situation of distribution.

The utility value of this vision of regional agriculture will be lost due to excessive gap from the reality, if a lofty ideal is put up. An attempt should be made to draw comprehensible future images regarding the basic matters such as those which were indicated above which are produced out of analysis of fundamental data seized through the work of consolidation of the foundation.

Guidance for planning of farming programs of farmers is the gist of exhibit of leadership of an agricultural cooperative. These farming programs will also function as the means for mutually confirming the will between the agricultural cooperative and farmers at each aspect of borrowing of farming funds, purchase of agricultural inputs and marketing of agricultural products. All the more because of importance of guidance, it is necessary for the agricultural cooperative to make consideration so that guidance reaches every one of the members through group activities

or other means. The format of farming program should be such a simple one that can be entered by anybody with full understanding and that naturally enables seizure of the result of management when the flow of goods and flow of funds are chased month by month. A form that is provided with columns of income item, expenditure item, excess or shortage, and balance in addition to a table such as a calendar of the unit of a month or decade (10 day period) as matched with production cycle for each kind of crop and that enables entry, for instance, borrowing 5,000 baht, purchase of seeds, farm chemicals and so forth 3,000 baht, consumption for life 1,500 baht, interest 500 baht and balance 0 in April. In order that the program is what reflects the reality, the program should be accompanied by careful and delicate guidance and advice in the process of planning of the program in such a manner that the production is probably of so and so level as viewed from the situation of planting and past accomplishment of the subject farmer, and that so and so are suitable lines as for the amount of borrowed money that corresponds to the production and the number of labours to be employed at the time of harvest. Of course the backbone of such guidance and advice is the vision of regional agriculture drawn by the agricultural cooperative.

It is desirable in addition that contrivances are made in the format of this farming program for enabling each farmer to make comparison of the result with the program at a glance by enlarging the size to poster size as a sheet that is entered besides the format to be submitted to the agricultural cooperative, in order to allow development of agricultural management as practice of a program. It will probably be possible to improve the image of the agricultural cooperative as the subject of fair trade if this poster type program table is combined with use of a symbol mark as a means for uplift of member consciousness as described earlier.

3) Business programs of agricultural cooperative

It is not too difficult to establish business programs of the agricultural cooperative after concrete clarification of expectation of members to the agricultural cooperative through guidance for planning of farming programs of farmers as well as foundation consolidation work. As economic businesses, it should be easy to combine the program for each business with the integrated income and expenditure program, in addition to mere forecast of the volume of business, if rules on commission have been established.

The business program for a single term determines the required value of borrowing of business funds of the agricultural cooperative, and the equipment investment program based on the middle and long-term program can be used as a material for borrowing facilities funds. At the occasion of planning of this middle and long-term program, thorough examination should be made regarding the measures for increasing the owned capital including the factor of increase of number of members.

(2) External aids

It is necessary to effectively develop aids from outside for providing momentum to the autonomous efforts of agricultural cooperatives in order to permit planning and practice of agricultural cooperative promotion programs at model agricultural cooperatives to quickly bear fruits which enable spread in steps to agricultural cooperatives in the whole country.

Because the model agricultural cooperatives of the first phase should plan programs without any precedents, aids from outside should probably start with guidance of knowhow for draw-up of promotion programs.

For upbringing of talent it is desired that opportunities for systematic training are provided for different positions such as directors, managers and nucleus staffs of businesses.

These aids will probably be CPD as the nuclei and with cooperation obtained from CLT at occasions and also from ACFT and BAAC regarding specialized matters of each business department. Technical cooperation from countries in which agricultural cooperatives are exhibiting large powers is also expected.

In the aspect of implementation of programs, it is also requested that such substantial support is made as funds and facilities as long as model agricultural cooperatives are expected to bear fruits within a short period of time. BAAC will probably play a important role in providing of funds, and aid from the side of administration is indispensable for preparation of subsidy and establishment of low interest rate financing system for construction of facilities. Examination of effective method of introduction of gratuitous cooperation from overseas countries should also be made.

In addition, various measures for supporting the strategic targets described in the preceding section should be provided with special emphasis to model agricultural cooperatives. It is also important to standardize the will among various organs concerned in order that these supporting measures are promoted under close and mutual relations which are suitable for development of total system.

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