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# ARTICLES

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## DEVELOPMENT POLICY

### Rural Cooperatives to Increase Production

By Professor Dr Otto Schiller, Heidelberg

One of the most important tasks at the present stage in world economics is without doubt to increase agricultural production in developing countries. The FAO which as world organisation for Food and Agriculture disposes of the best sources of information has of late repeatedly been pointing to the dangerous situation brought about by the widening gap between the rapid rise in the population of the developing countries and the comparatively insufficient increase in their farm output.

This gap has made it necessary for the highly developed countries with a surplus of agricultural production to export more and more foodstuffs to the deficit countries,—countries such as India where in spite of these constant deliveries the nutrition of a large section of the population is not at an adequate level. To a great extent these deliveries are not made on the basis of commercial transactions in normal foreign trade; they are either genuine famine aid or are paid for only in local currency. International expert circles, however, agreed that in the long run food gaps in developing countries can be bridged neither by shipments from surplus countries nor by famine aid. In the long run, the danger of starvation and undernourishment, which today exists in quite a number of developing countries, can be averted only by increasing local agricultural production in these countries.

Typical for the agricultural structure of most developing countries is the small-holding. It is this form of farming which predominates in Asia as well as in some African countries. But even in those African and Latin American countries, in which large-scale farming is more developed, the small-holding plays the decisive role in the so-called "traditional sector".

Small-holdings, operated either by landowning peasants or by tenants can however be opened up to agricultural progress only if they are organised in the right way. The form of organisation most suitable for this purpose is without doubt the rural cooperative society.

It is therefore understandable that the promotion of rural cooperatives is an essential part of the official agricultural policy of almost all developing countries.

Hitherto this is nearly exclusively the usual type of rural cooperatives which are primarily concerned not with production, but with activities in credit, supply and marketing and in the processing of farm products. This kind of cooperative activity is admittedly of great importance for the promotion of agricultural production as well. On the other hand, experience has shown that it generally leads only to a continuation of agricultural production on the same level without raising yields. For a quick increase of yields which in many developing countries is an urgent need so far only very little could be achieved by the traditional cooperative practices.

The question therefore is in which way cooperative activities can be made more effective than hitherto in bringing about a rise in agricultural production. In this connexion a distinction must be drawn between two possibilities: — intensification of cooperative activities within the existing framework on the one hand, and, on the other, extension of cooperative activities beyond the customary limits in such a way as to shift the emphasis from the market sphere to production. Interesting examples of both these procedures exist in the present history of developing countries.

#### Cooperatives in the Market Sphere

If a rapid rise in agricultural output is to be achieved by an intensification of the traditional cooperative activities, it is necessary to establish a close link between the cooperative apparatus and the agricultural training and extension service. These services are the normal means of improving production methods on the small-holdings of the traditional sector in agriculture. It is not enough, however, to acquaint the small producer with modern production methods by giving him thorough advice and training; he has to be put in a position to apply to his farm those progressive measures of whose efficacy he has been convinced.

This is in many cases a question of finance, i.e. a question of procuring the necessary funds to pay for those means of production which are needed to bring about increased yields, such as fertilisers, plant protectives, modern tools and machinery, as well as funds

for the development of irrigation systems in the irrigation economy. What matters, therefore, is that the necessary credits are available for these purposes. In view of the great shortage of capital from which the small agricultural producers suffer, it cannot be expected that simply by organising them into credit cooperatives and relying on their own savings, sufficiently large funds can be accumulated to bring about the required rapid rise in agricultural output. The cooperatives must therefore have their own credit funds supplemented by government credits, but these government credits are most appropriately directed into agricultural small-holdings through the channels of the cooperative system. To evolve the most appropriate way of organising such a combination of state and cooperative credit is one of the great tasks confronting developing countries.

Another point to be taken into consideration is that it does not suffice to open credits for the purchase of agricultural means of production; these means of production must also be obtainable in sufficient quantity and within reach of the agricultural small-holder of the region in question. For this purpose it is in many cases necessary to build up adequate local storage facilities. As far as the use of modern agricultural machinery is concerned it is also essential to arrange for repair facilities, which must be either easily accessible or mobile.

Furthermore, an increased agricultural production makes sense only, if the additional output does not only serve to increase the producer's own consumption, but is at least in part made available to the market.

Only then is it possible to ensure that the means of production required for its increase are paid for. What is therefore required at the same time is to see to an improvement of marketing conditions by means of extended storing facilities, a completion of the road system, etc. Such measures designed to improve the infrastructure are admittedly, at least in part, outside the scope of agricultural cooperatives. On the other hand, however, intensified cooperative activity can make an essential contribution to the realisation of such tasks.

The introduction of progressive production methods in the traditional sector of agriculture is to an essential part also a matter of education. In this sphere, too, cooperatives are well placed to do some very useful work, once their activities have been intensified. It is therefore understandable, if in developing countries, in connection with the measures for the improvement of the educational system, in many cases efforts are made to create special educational institutions for the training of cooperative personnel and members of cooperatives. In this sphere much work remains to be done—work which is also assisted by international organisations.

It is true that cooperative activities in the developing countries have already done a good deal to im-

prove social conditions of the rural population, but, as has already been mentioned, have had little effect in improving farming methods and increasing agricultural production. This does not mean, however, that cooperative methods will not have such an effect in future either. What matters is to intensify cooperative activity and adjust it to the existing natural and socio-economic conditions by making use of the experiences already made.

In this connection it must be remembered that in developing countries conditions are frequently hardly conducive to a display of cooperative initiative and to an exercise of self-responsibility and of self-aid.

Not only must people be trained in such activities, but, apart from these initiatives from below, there must be—at least in the initial stages—leadership and guidance from above, and that in a greater measure than is customary in western countries where agricultural cooperatives originated. It would be a mistake to reject such official influence, which is characteristic for many developing countries, for no other reason than that it runs counter to the western ideal of a free cooperative system. There is every chance that after a certain running-in period cooperatives can be given greater scope to display initiatives of their own. This depends largely on the turn the political order takes in the developing country concerned.

### **Cooperative Promotion of Agricultural Production**

When cooperative activity is intensified in order to become more effective than hitherto in the raising of agricultural production, the question arises whether it is not possible to extend cooperative activities also to cover the immediate sphere of production. This question has become acute in quite a number of developing countries, in which in recent years land reform measures have been carried out. This applies for instance to the countries of the Near and Middle East. There by land reform measures part of the land formerly belonging to big landowners and leased out to tenants is being allocated to small-holders who acquire the property rights on it. In this connection care must also be taken to maintain the orderly farming of the land. Before the land reform the big landowners admittedly exploited their tenants to a high degree, but, on the other hand, they had to exercise certain functions, if they wanted to derive revenues from their lands. For instance they had to help their tenants, among other things, occasionally with the procurement of seeds, or with the installation and maintenance of irrigation facilities or with loans for the purchase of draft-animals, etc.

In order to ensure that even after the redistribution of the land these functions are properly fulfilled, the land reform laws of some of these countries, such as Egypt, Syria, Iraq and Iran, contain provisions insuring on the foundation of cooperatives in the territories subject to the land reform. Each peasant who has land allocated to him under the land reform

is obliged to become a member of the cooperative. It is therefore a matter of obligatory membership, but the cooperative principle of voluntariness is maintained at least in one respect: the applicant for the land can always avoid becoming a member of the cooperative by withdrawing his application for the land.

The cooperative societies with obligatory membership established in the land reform areas of the above-mentioned countries exercise not only the usual functions on behalf of their members in the fields of credit, supply and marketing; they are also supposed to assist their members in farming operations and particularly in the regulation of irrigation measures. This has led for instance in Egypt to rather extensive functions of the cooperatives in the farming field, not in the sense of cooperative farming but in cooperative promotion of individual farms. In the villages concerned the rotation of crops has been regulated in such a way that over a wider area comprising a great number of individual plots the main crop, namely cotton, is cultivated at the same period of crop rotation. In this manner it has been possible to combine individual farming with cooperative measures in some spheres, such as pest control, irrigation and also, where adopted, the use of machinery.

Besides, this method of cultivation, which is known under the name of "unified crop rotation", has been introduced in Egypt also in villages which are not affected by the land reform and also in newly settled areas. Cooperative promotion of agricultural production, that is to say cooperative activity in farming operations combined with individual use of land, has also found its way here and there in some other countries, as for instance in the newly established cooperatives in the area of the Rural Academy Comilla in East Pakistan, in some settlement cooperatives in Asia (Thailand), in Africa (Kenya) and in some Latin American countries (Brazil).

In some developing countries attempts are also being made to introduce cooperative farming on the basis of joint use of land. The greatest progress in this direction has been made by India, where for many years now such measures systematically are carried out. For instance, in resettlement activities on areas of land reform or on land newly reclaimed by amelioration or irrigation, in many cases the land is not allocated to settlers individually, but given to them for joint utilisation. In this manner cooperative farms have come into being, some of which have been able to show quite satisfactory results. In some other

cases, however, the cooperative enterprises subsequently disintegrated in a large measure; the land was distributed among the members to use it individually, while the cooperative society retained merely certain functions in guidance and marketing.

Much more difficult has proved in India the introduction of cooperative farming in already existing villages where the land has been traditionally used individually—be it by landowning peasants or by tenants. As a rule it is impossible to get all the villagers to pool their land for joint use and thus to establish a large-scale cooperative farm. Thus far, Indian farming cooperatives have remained relatively small operational units, consisting on an average of 10 to 25 members with some 75 to 125 acres under joint cultivation. It is not a matter of an entire village community, but only a part of it organised in a cooperative farming society. Still, according to the latest available statistics dating from the middle of 1966, there existed in India more than 5,000 cooperative farming societies, which are greatly helped by the state. On the other hand, the area under cooperative farming represents only a very small percentage of the country's total arable acreage (less than 1 %) so that, quantitatively, cooperative farming is of little importance in India, though it is an essential element in Indian agricultural policy.

#### **Cooperatives no Panacea**

In several African countries, too, agricultural production cooperatives have lately been formed as part of their farm development programs. East Africa is for instance confronted with the task of finding a suitable new system for large-scale farms which formerly were owned by European settlers or for newly reclaimed land. Joint use of land on a cooperative basis offers in many cases a tempting solution, provided due consideration is given to the mentality and tribal customs of the settlers concerned. In Kenya for instance, several production cooperatives with joint use of land have been formed. Besides of this attempts have been made to combine the cooperative use of machinery and cooperative irrigation measures with individual working processes in tilling and harvesting the different plots, that is to say one has applied some kind of the above-mentioned method of cooperative promotion of agricultural production. Tunisia, too, is confronted with the task of taking over the cultivation of farms abandoned by foreign settlers. There, large farming enterprises taken over by the state have been linked to small holdings of the



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surrounding villages with a view to adopting co-operative methods of cultivation and thus to make use of the advantages of large scale farming.

There is no doubt that cooperative organisational methods are of the greatest importance for raising agricultural production in the developing countries. But founding agricultural cooperatives is not enough. What matters is to infuse them with the right spirit, i.e. to awaken and foster the cooperative spirit of self-aid, corporate responsibility and self-administration. This requires laborious and systematic training, and for this the necessary pre-requisites have yet in many cases to be created. The cooperative is no pat solution to the problem of organising small agricultural producers in developing countries, as is

often assumed by supporters of the cooperative idea. Alongside with the promotion of rural cooperatives there exist other forms of organisation which may be suitable in accordance with local conditions and with the mentality of the people concerned. A case in point for instance is a partnership basis on which rests the well-known Gezira Settlement Scheme in Sudan. Another example is the loose interfarm-cooperation which recently assumed increasing importance in some West European countries. Provided proper use is made of existing organisational possibilities, it is easy to create relatively quickly the necessary pre-requisites for the introduction of improved farming methods. And once this is done, an important step will have been taken on the road to increase agricultural production in the developing countries.

## INTERNATIONAL SHIPPING

# The Freight Rate Studies of UNCTAD

By Dr Gerhard Krause, Hamburg

At its first session in November 1965, the Committee of Shipping had before it a proposal of the Secretariat for a Program of Work. Members of its Group B i.e. the representatives of Western industrialised countries (15 delegates, one third of the Committee's total membership) had some doubts whether this program was not too comprehensive, however, after long discussions agreement was reached on all items but those listed in Chapter II of the program

"Level and structure of freight rates, conference practices and adequacy of shipping services."

Hence, as a compromise, the Committee, at the end of its session, unanimously decided to instruct the Secretariat to submit to a Special Session of the Committee in July 1966 a report on a study of the above subject which should be devoted to a description of the approach and methods to be used in the study as well as an explanation of its objectives. If it was approved, a report on the progress of the study would be made to the next regular session of the Committee.

Before turning to further developments, it may be useful to point out the reason for which Chapter II was included in the proposed Program of Work, and for the opposition to it in its submitted wording by Western countries, especially those with tradition in shipping. As a matter of fact, the items Chapter II deals with have been mentioned in the Common Measure of Understanding on Shipping Questions adopted by the first UN Conference on Trade and Development in 1964—although there for consideration by the consultation machinery of shippers and shipowners—and later on when the Trade and Development Board had established a special Committee

on Shipping in addition to the three already existing, also in the Terms of Reference for the new body.

### The Freight Rate Problem

Already before the formation of UNCTAD numerous overseas countries had considered rates in the liner trade serving their ports as "too high". Since they had no information on rate making procedures especially of the liner conferences, and since there had been examples in the past of rate increases and surcharges being imposed on shippers without prior consultation with them, at least not with shippers in developing countries, these governments held that a thorough reform was required, and that inter-governmental organisations should create a basis for this by economic research. Especially the Regional Economic Commissions of the UN for Latin America (ECLA), for Asia and the Far East (ECAFE) and for Africa (ECA) had entrusted experts with studies that were a first step in this direction. Now the Secretariat of the new worldwide organisation seemed to them to be the right agency for undertaking studies of the rate problem on a larger scale.

As regards conference activities, the countries of Western Europe, in general, did not believe in the merits of government intervention although they recognised the necessity that liner conferences adjust their structure and activity to changes in the trade pattern, especially by closer contacts with shippers. In their view, shippers should be organised in national shippers' councils with which shipowners should consult before any steps affecting the shippers are taken. Already in 1963, the Ministers responsible for shipping in ten European maritime countries have given their