

CHAPTER VI

FISHERMEN'S COOPERATIVES

A cooperative society is a voluntary association of members in a joint undertaking to assist the members in their economic problems for their mutual benefit through self-help and team action. The success of the cooperative movement depends on the members. The Government only guides and supervises the movement and occasionally helps the movement in management and financial matters.

The present marketing system and credit situation in the fishing industry are detrimental to the welfare of the fishermen as elaborated in the last two chapters. The development of the cooperative movement in Malaya is to provide the required machinery to supply credit to the fishermen and market their fish to their advantage. The fishermen's cooperative credit and marketing movement is aimed at raising the level of income of the fishermen and providing better credit facilities and marketing practice, thereby releasing the fishermen from the exploitative clutches of the middlemen-shopkeeper, juru selam and Chinese towkays on whom they have to depend for their credit and marketing needs in the absence of a better alternative agency.

Importance of the Cooperative Movement

The success of fishing as a business will depend on the cost of production and the realized value of the catch. The lower the cost of production, the higher the realized value, the larger will the size of profit be. The maxim is to produce cheap and sell dear and this applies to all business. These two aims can be achieved by the cooperative societies from three directions:

a) Production side: The cooperative society can help reduce the cost of production of fishing by securing fishing equipments, for example, nets, motor-engines, spare parts, hooks, etc at whole sale price and retail them to the fishermen. Buy cheap and sell cheap should be the rule of the fishermen's

cooperative society in the retailing of these accessories.

b) Marketing side: Cooperative marketing societies are necessary in Malaya because the fishermen are widely dispersed along over 1,000 miles of coastline while the consuming areas are well inland. In their isolated villages, the fishermen are poorly informed of market conditions due to illiteracy and poor communicational facilities. To market their fish, they have to depend on the middlemen and therefore, subject themselves to exploitation. The unfavourable conditions in which the fishermen have to market their fish are already well-known.

The fishermen's cooperative marketing societies hope to benefit members through a more profitable disposal of the fish by cutting down marketing costs. Increased production is a need but not an end in itself. It is just a means to an end. Mechanisation and improvement in fishing gears have increased productivity of the fishermen greatly. But the increase in productivity will only benefit middlemen and not the fishermen if fishermen are unorganised and the marketing of fish is not properly streamlined⁺¹. It is only through collective marketing that will secure the fishermen a fair return for their catches and give them the full benefit of their increased productivity. The fishermen can help themselves if they take an interest in the marketing of their fish and organise themselves for this purpose. It is high time that they pool their catches together, sort them out and feed the market according to the demand. Collective marketing is just as important as increasing the productivity of the fishermen.

The importance of cooperative marketing in Malaya is great because the fishermen are scattered, the production of fish per fishermen is small and the consuming areas are far away. Individually, the bargaining position of the fishermen is poor and they have to accept whatever price is offered. They cannot send the fish to inland or distant towns on their own because individual catches are often small and it is not economical to do so. In the East Coast, transport is difficult to obtain and often is monopolised by the middlemen. But the position of the fishermen will be different under cooperative marketing.

⁺¹ See L. Berube: Memorandum: Economic Research Report: Suggested Programme of Fisheries and Marketing Development in Malaya.

By selling their fish through a cooperative society, the fishermen can secure better price for their catches especially when they have a good businessman as their manager because the cooperative marketing society increases the level of competition with the middlemen for the purchase of the fish. The society has its own transport facilities to take the fish to the consuming areas. This will be a strong incentive for the fishermen to step up production of fish because they are assured of a fair price for the fish.

A fishermen's cooperative marketing society can operate its own ice plants and cold rooms because the volume of business is large. This ensures better marketing practice. Coldrooms reduce the extremities of gluts and scarcities to a large extent. This ensures better price during gluts for the fishermen's catches and a greater realized value than if fish marketing were undertaken by the private middlemen. More stable prices for the fish brings greater security to the fishermen in the realized value of the catches. No longer are they subject to the uncertainty of fluctuating prices offered for their catches.

When the frozen fish industry is introduced into Malaya, the cooperative marketing societies can undertake this sector of fish marketing like what their counterparts are doing in Canada and Japan. They can also operate their own fish-curing plants to prepare dried salted fish, boiled fish, blachan, etc. and even canned those fish that are suitable. This ensures that the fish of the fishermen serve a wider market and that coldrooms are not over loaded with surplus fish that are held back during gluts.

Fishermen's cooperative marketing societies can operate their own transport services with their own lorries and vans and charging the members a small fee for the service. These vehicles can be bought or hired. But it makes no difference to the fact that group transport cuts down transportational costs substantially. By integrating many functions of marketing, they ensure a better marketing system and reduce marketing costs greatly.

Individually, fishermen sell in bulk but bulk selling does not fetch such a good price as selling in graded lots. It is possible for the fishermen's cooperative marketing societies to grade the fish according to types, size and quality for sale to wholesalers because the volume of fish handled is large. Grading pays. It earns a higher value for the catches of the fishermen.

The main feature of a fishermen's cooperative marketing society is to ensure a fair return to the fishermen by killing all exploitative tendencies of middlemen and in trying to improve marketing conditions and eliminate any malpractices.

c) Credit Side: The need for credit, both short-term and long-term among the fishermen is great but the traditional source of finance is detrimental to the development of the fishing industry and the welfare of the fishermen as had been presented in Chapter 5.

The provision of adequate credit at low rate of interest is an essential part of the economic development of the fishing industry because it provides loans for the purchase of capital equipments. This is highly important in raising the level of income of the fishermen ~~because the use~~ because the use of borrowed equipments like boats, engines and nets involves a rent equivalent to between one-third and one-half of the catch.

The best institution to give loans is the cooperative society because the fishermen are scattered over a wide area and it is best for a local institution to deal with them. The cooperative credit society is closely associated with the fishermen. It is managed by the fishermen for the member-fishermen. Therefore, the society can better assess the credit needs of the fishermen and their trustworthiness. Loans are often unsecured because suitable collateral securities are difficult to obtain and the fishermen are used to getting unsecured loans. Therefore, intimate knowledge of the borrower is essential for the granting of such loans and their collection would be easier at the local level.

The fishermen's cooperative credit society gives medium-term loans to the fishermen to purchase better boats, nets and to mechanise. The advantages of mechanisation are seen in Chapter 3 already. It increases the productivity of the fishermen. The relatively lower rate of interest compared to the rate of interest charged by the pawnshops and the disguised rate of interest of the middlemen, etc. does not bear down so harshly on the fishermen. The repayment of the principal is easy. It is paid in installment of a non-fixed nature calculated on the flow of income. To facilitate the payment of the principal and the interest, the loan involves a condition that the fishermen must sell their catches to the cooperative credit society. Cooperative marketing means higher realized value for the catches and helps to bring higher income to the fishermen.

This is important because higher real income ensures more capital generated to improve fishing practices and provides for better foods which will give better health to the fishermen thereby increasing their efficiency further.

History of the Malayan Fishermen's Cooperative Societies.

The poverty of the fishermen and their inability to extract themselves from debt to the financiers have long been an obstacle to the development of the fishing industry. The fishermen cannot both catch the fish and market them. For marketing, they rely on the middlemen who, through time, have devised ways to exploit the fishermen by keeping them in perpetual debt. The majority of the fishermen do not get a fair return for their labour and it is to change this state of affairs that the cooperative movement has been strongly encouraged in Malaya to give credit to the fishermen and at the same time to market their fish to ensure a fair return to their labour.

The growing awareness of the importance of the cooperative movement resulted in the passing of a legislation in 1956 by the Federal Legislative Council to promote fishermen's cooperative societies in all phases of the fishing industry and trade to stimulate thrift and capital improvement and immediately made available a sum of \$3 million to the Ministry of Agriculture to assist the formation and organisation of the fishermen's cooperative societies and to educate the members in cooperative principles. It has since been the aim of the Government to establish a fishermen's cooperative society in every fishing village wherever possible. Since then, the growth of the fishermen's Cooperative movement has been rapid. Where possible, fishermen are encouraged and assisted by the Government to set up Cooperative societies.

The concentration of effort was in the North-east coast of Malaya where there is widespread poverty among the fishermen and much exploitation going on especially in the hands of the juru selam. Most of the fishermen have no capital equipments to work with⁺¹. In 1957, the Government first began its intensive and extensive promotional effort⁺² in its

⁺¹ Che Samad and Che Khalid agree that it was because of poverty and exploitation that effort was concentrated there.

⁺² See 1959 Annual Report of the East Coast Fishing Scheme.

drive to set up fishermen's cooperative societies in the North-east region. In terms of the number of societies established, the Government's effort has been highly successful. In 1958, the Government had established a chain of cooperative societies in all the important fishing villages covering the whole of the coast of the North-east region from Tumpat in the North to Kuantan in the South. In 1955, there were only 8 fishermen's cooperative societies with 671 members but in 1957 there were 56 societies with 4,400 members⁺¹. In 1962, the number of societies rose to 77 and the membership to 5,675⁺². Most of the societies are in the East Coast because of Government's concentration of effort there. Forty-four of the total 77 fishermen's cooperative societies are found in the East Coast states: Kelantan, Trengganu and Pahang (see Table 15).

TABLE 15

MALAYA: FISHERMEN'S COOPERATIVE SOCIETIES BY STATE IN 1962.

State	Number of Societies
Kelantan	11
Trengganu	22
Pahang	11
Johore	6
Perlis	2
Kedah	5
Penang	2
Perak	6
Selangor	7
Negri Sembilan	3
Malacca	2
	<u>77</u>

Source: 1962 Annual Statement of the Cooperative Societies for the Federation of Malaya.

The fishermen's cooperative societies are multi-purpose societies. They try to integrate the functions of the middlemen and shopkeeper and that of the Chinese towkays by

+1 & +2 See 1962 Annual Statement of the Cooperative Societies for the Federation of Malaya.

granting credit to member fishermen at a stipulated rate of interest, market their fish and retail to them certain basic necessity goods like rice, beverages and capital goods like engines, synthetic nets, spare parts, diesel oil, etc which the societies had purchased at wholesale price.

Source of Fishermen's Cooperative Societies' Funds⁺¹

The fishermen are very poor. The societies are established to help them raise their level of income. As such, the societies cannot rely much on raising sufficient funds from the member fishermen for the operation of the societies in the granting of credit and marketing of fish. The societies have to seek Governmental financial assistance and loans for their operations. For example, on 31st December, 1960, the total number of societies affiliated to the East Coast Transport and Marketing Union was 41 with a total membership of 3,588. The total capital subscribed by way of shares by the fishermen was \$181,293. At the same time, the loans outstanding by the societies to the Union was \$947,165⁺².

The Government grants loans only indirectly through the Rural Cooperative Apex Bank set up to deal with loans to and the recovery of principal and interest from all the agricultural cooperative societies, padi and fishing, in Malaya. The financial set-up is pyramidal in structure. At the apex of this pyramid is the Apex Bank which is the rural bank at the national level. The Apex Bank is managed by a board consisting of Government officials, for example, representatives from the Treasury and the Ministry of Agriculture and Cooperatives and elected representatives from the Banking Unions in the country.

Immediately below the Apex Bank are the few Banking Unions organised at state level. Each state has at least one Banking Union but certain states have two, for example, Perak and Kedah. Each Banking Union is managed by a committee of Government representatives and representatives from the various rural cooperative credit societies. At the base of the pyramidal structure are the rural

⁺¹Most of the facts mentioned are given to me by Che Samad during one of our many conversations.

⁺²See 4th Quarterly Report of the East Coast Fishing Scheme to the Cabinet.

cooperative credit societies, each managed by a committee elected by the members at the annual general meeting. There are no Government representatives.

To be eligible for loans from the Apex Bank, rural cooperative credit societies must be affiliated to it and only members of the societies are eligible to the loans. The fishermen's cooperative credit societies receive applications for loans from the members, consider them and apply for the loans from the Apex Bank through the Banking Union. Loans are channeled through the Banking Union to the cooperative societies. The repayment of the loans also passes through the Banking Union. All the East Coast fishermen's cooperative credit and marketing societies are affiliated to the Transport and Marketing Union and the supply of loans to and the repayment of loans from the societies are through the Union⁺¹. Loans are given at the following rates of interest calculated on the outstanding debts per annum⁺²:

1. Government to Apex Bank at 4%.
2. Rural Apex Bank to Union at 5½%.
3. Union to fishermen's cooperative credit societies at 7%
4. Fishermen's cooperative credit societies to member fishermen at 12%

All loans are repayable within three years in installments. The fishermen's cooperative credit societies use the loans to buy capital equipments like boats, nets and engines mainly at wholesale price and these are sold on a hire-purchase system to the member-fishermen. The debtor-fishermen have to pay back the principal and interest by installments. A certain proportion of the sales proceeds of the daily catches is deducted and credited to the accounts of the fishermen as partial payments of their debts.

For example, the 114 members of the Kuala Linggi fishermen's cooperative credit and marketing society in Malacca are divided into 38 units of 3 fishermen each. Each

⁺¹See Quarterly Report of the East Coast Fishing Scheme to the Cabinet.

⁺²See Notes on a meeting held on 12th January, 1957, at Kuala Trengganu Rest House to determine the set-up of the Fishermen's Cooperative Societies in the East Coast.

unit is given a loan of \$7,911 in the form of a boat 30 feet long, an 8 horse-power inboard diesel engine and a set of synthetic fibre drift-net. The loans bear 7% rate of interest per annum and are repayable within three years by installments of a non-fixed nature calculated at one-third the gross sales proceeds of every catch which must be sold to the cooperative society⁺¹.

In the East Coast, most of the loans are given out to help the fishermen equip themselves with the necessary capital assets. In 1959, the total loans given out by the East Coast Fishermen's Cooperative Transport and Marketing Union for the purchase of fishing equipments amounted to \$1,115,000⁺².

These loans are secured by the equipments bought on hire-purchase. The ownership of these equipments is retained by the fishermen's cooperative credit societies until the full payment of the debt. The fishermen have no right to dispose of the equipments and they can be deprived of the use of these equipments should they fail to fulfil their obligations.

To facilitate the collection of the loans, it is compulsory for the fishermen to sell their daily catches through the cooperative societies which will deduct a certain percentage of the sales proceeds as partial repayment.

Loans are also given out to the societies to establish fish curing sheds, to establish ice plants and purchase lorries and vans to help fish marketing. Loans are also given out to allow the societies to set up a revolving capital fund for the marketing operation of the cooperative marketing societies. Member fishermen selling to the cooperative societies get an advance payment for the sale of the fish. The balance is finally settled after the societies have disposed of the fish.

⁺¹ See confidential file concerning the Kuala Linggi Scheme kept at the Planning and Research Branch, Fisheries Division, Ministry of Agriculture and Cooperatives.

⁺² See 1959 Annual Report of the East Coast Cooperative Fishing Scheme.

In the Telok Bahang fishermen's cooperative society which I visited, the use of the loan is different. The total amount of \$58,000 is used by the society to purchase 2 fully equipped pukat jerut fishing boats and these are rented out to the members to fish, not sold on hire-purchase to them.

Fish Marketing through the Fishermen's Cooperative Societies

For the receipt of the loans, the fishermen have to sell their catches to their cooperative societies as provided by the condition of the loans. The catches are weighed and the value assessed. They are then paid a certain amount in advance and the balance later on after deducting the necessary amount for the payment of the loan. The societies sort out the fish, pack them properly in ice and keep them in the cold rooms while waiting for transport to take the fish to towns for sale. In the East Coast, it is the Union which undertakes the marketing of the fish. Societies may market the fish if permitted by the Union and this is the case if the societies happen to be close to the consuming areas. In the West Coast, there is no Union like that of the East Coast. The societies undertake the marketing of their fish individually like those of Kuala Linggi, Kuala Kedah and Telok Bahang.

In the East Coast, all cooperative fish marketing is undertaken by the Fishermen's Cooperative Marketing and Transport Union. It has the following objectives⁺¹:

1. To market members' fish and other produce and to obtain fishing, agricultural and other necessities for them.
2. To seek loans to conduct its business.
3. To provide financial assistance by way of loans to members.
4. To establish and maintain a motor transport service to facilitate fish marketing.

The scheme seeks to improve fish marketing, stimulate the output of fish, ensure a fair return to the fishermen for their labour and provide the fishermen with producers' goods at reasonable prices.

It is the duty of the fishermen's cooperative societies to help the Union in the disposal of the fish. Each society is responsible for the collection and grading of members' catches and of assembling the fish at the nearest fish collecting depot. The societies have to pay the members an advance of 60% of the estimated value of the catches.

⁺¹1959 Annual Report of the East Coast Cooperative Fishing Scheme.

The societies are divided into 12 groups, each having a common collecting depot for the societies to assemble and store the fish for ultimate collection by the Union. The depots are managed and run by the Union. The depot is in the main fishing village of each group and each depot usually has a cold room to store the fish. It accepts graded fish from the societies for delivery to and ultimate marketing by the Union. It keeps accurate records of deliveries by weight and catch of each society and does not enter into financial transactions with the societies. It accepts the fish on behalf of the Union.

The Union does not buy the fish but just provides service in marketing the fish on behalf of the societies for a commission. It markets the fish on as favourable a term as possible in the best consuming area. It also gets a commission for obtaining fishing, agricultural and other necessities for the societies.

In 1962⁺¹, the Union marketed 12,690 piculs of wet ice fish worth \$482,520 and 5,730 piculs of dried salted fish. In addition it arranges for the supply of diesel oil, petrol, ice, lubricants, fishing equipments, spare parts, to member societies at wholesale price. In 1962, it sold 44,209 gallons of diesel oil to the member societies.

To facilitate its fish marketing operation, the Union owns and runs a fleet of lorries to transport the fish and operates 8 coldrooms to store up fish in the East Coast. At Kota Bharu, it has just finished constructing its own ice plant costing \$100,000 which is in production now supplying ice for fish packing to its member societies.

On the West Coast, there is no Union to undertake fish marketing for the various cooperative societies. Each society undertakes its own fish marketing and the purchase of those essential things needed by themembers. Some well-to-do societies may own all the marketing facilities. The Hengwha fishermen's cooperative society in Malacca owns and operates its transport facilities and its ice plants. At the same time, it secures engines, nets, diesel, petrol, spare parts, etc. for its members. Other societies may not be so fortunate. The Kuala Linggi fishermen's cooperative society has to depend on the Hengwha society to transport its fish to the Malacca Town market and for the supply of its ice

⁺¹See 1962 East Coast Fishing Scheme Quarterly Report to Cabinet.

requirements. The Telok Bahang fishermen's cooperative society in Penang has to depend on private lorry transport company to convey its fish to the town and on the local ice producers for its supply of ice.

Most of the societies secure certain goods like diesoline, nylon nets, spare parts, etc and household requirement goods like sugar, flour, coconut oil, etc. in bulk for retail to the fishermen at a cheaper price⁺¹. This is of great help to the fishermen because it reduces operating cost and the cost of living. A comparison of the retail price of diesel to the fishermen before and after the societies undertake the supply of oil to the fishermen of 5 East Coast fishermen's cooperative societies is given in Table 16.

TABLE 16

MALAYA: COMPARISON OF RETAIL PRICE OF DIESEL OIL IN CENTS TO THE FISHERMEN BEFORE AND AFTER SUPPLY BY THE SOCIETIES

Society	Retail price per Gallon of Diesel	
	Before Society Undertakes Supply	After Society Undertakes Supply
Seberang Takir	75	72
Batu Rakit	85	70
Seberang Marang	80	75
Pulau Serai	85	80
Telok Bokera	85	80

Source: 1958 Annual Report of the Fishing Industry.

⁺¹See East Coast Fishing Scheme Quarterly Report to Cabinet.

See Activities of the Hengwha and Kuala Linggi fishermen's cooperative societies in the confidential file regarding the Kuala Linggi Scheme, Planning and Research Branch, Fisheries Division, Ministry of Agriculture and Cooperatives.

Achievements of the Fishermen's Cooperative Societies

Firstly, the societies have been successful in the granting of credit to member fishermen. Many fishermen have been able to fish more efficiently as a result of the benefits of the loans. Loans are mostly given to the fishermen for the purchase of fishing equipments. The rapid process of mechanisation and the increasing productivity of the fishermen in the last few years as indicated in the third chapter is the direct result of the availability of cooperative credit to a large number of fishermen.

Secondly, in fish marketing, the societies have been able to give the fishermen a fairer return to their labour. Fish sold to the societies are weighed properly, graded and sold at the best possible price. Many of the societies have been able to operate their own lorry transport, iceplant, and in the East Coast, the Union operates a chain of 8 coldrooms. In addition, in the East Coast, some of the societies have their own fish curing sheds to turn the fish into cured fish like blachan and dried salted fish⁺¹.

In the 1959 Annual Report of the East Coast Fishing Scheme, the Cooperative Marketing and Transport Union was able to boast that it had been successful in stabilising prices of fish to a certain extent. Despite increases in catches, the price of kembong, parang and tenggiri was more stable than in previous years. For example, the 1959 price of kembong during the peak glut season never went below \$15.50 per hundred tails compared to \$12.50 in 1958⁺².

Thirdly, the societies have been successful in providing, at cheaper prices, fishing equipments like engines, boats and nets, fishing necessity goods like diesel oil, petrol, spare parts, lubricants, salt, ice, etc. and certain household basic necessity goods like rice, coconut oil, flour, etc which they had bought at wholesale prices, to the fishermen⁺³.

⁺¹ See Appendix of the 1960-63 East Coast Fishing Scheme Quarterly Report to Cabinet.

⁺² 1959 Annual Report of the East Coast Fishing Scheme.

⁺³ See Appendix of the 1960-63 East Coast Fishing Scheme Quarterly Report to Cabinet.

Lastly, the 1959 Annual Report of the East Coast Fishing Scheme noted some success in releasing the fishermen from exploitation by financiers regarding the renting of fishing equipments, fish marketing and the processing of fish.

Difficulties faced by the Fishermen's Cooperative Societies

The difficulty of the cooperative movement in attempting to replace the private moneylenders and shopkeepers and Chinese towkays and juruselam from the rural scene is great.

Firstly, they have adapted their practices to the needs of the local conditions through years of practice. The conditions of their credit are flexible. They have a good personal knowledge of the fishermen concerning their ability to repay, their trustworthiness, etc. But the cooperative societies are new institutions, foreign to the fishermen, introduced by Governmental efforts into the fishing economy. It is an imposition from the top rather than a spontaneous action by the fishermen to organise themselves for their own good like the fishermen and the farmers of the West. The management of the cooperative societies is not so skillful or has the necessary local knowledge to compete with the middlemen, shopkeepers, Chinese towkays and juru selam.

Secondly, they are generous in the granting of credit. They need no formalities and lose no time in giving credit in case of death or sickness and fully understands the need for social and religious expenditure. But cooperative societies only give loans to satisfy the need to purchase fishing equipments and to a very limited extent, to purchase household basic necessity goods. No loans are granted to satisfy social and religious needs. This is a glaring weakness as traditions and customs play a very important part in the life of the fishermen. Cooperatives also require certain formalities and paperwork for the loans regarding the purpose of the loans, the size and the terms. A certain amount of time is involved in considering the applications and in applying for the loans from the Apex Bank. These inflexibilities place the cooperative societies at a disadvantage⁺¹.

⁺¹See Tjoa Soei Hock: Institutional Background to Modern Economic and Social Development in Malaya.

See FAO; No. 1793: Report of the Centre on Institution for Agriculture Financing and Credit in Asia and the Far East.

In fish marketing, the difficulties faced by the fishermen's cooperative marketing societies are many.

Firstly, fish marketing and the granting of credit are tied down together. Because the societies do not give loans for religious and social expenditure, member fishermen have to resort to middlemen for loans and therefore obligate themselves to selling the fish to the middlemen. Most of the societies also do not give short-term loans to the fishermen to tide them over periods of poor catches forcing them to take goods on credit from shops. Though member fishermen cannot borrow from outside as provided by the rules of the societies, it is possible that they continue to borrow while being members of the societies⁺¹. This partially explains why member fishermen try to avoid sales to the societies to sell their catches to middlemen.

Secondly, most of the fishermen's cooperative societies along the West Coast do not have their own transport, ice plant and coldrooms. They have to depend on private transport company to get their fish to the market and on private ice producers to supply them with ice. This often results in wastage and a loss to the member fishermen. For example, the Kuala Linggi fishermen's cooperative society has to depend on the Hengwha fishermen's cooperative society for the supply of ice and transport. A constant amount of ice is supplied every day irrespective of the size of the catches. When the catches are small, there is a wastage of ice. The loss in wastage of ice was calculated to be about \$1,000 in 1962. Delay in the arrival of lorries results in deterioration of fish as there is no coldroom. In 1962, quite a large sum of money is lost by the Kuala Linggi fishermen's cooperative society due to deterioration⁺².

Administrative Difficulties

The scheme to establish the cooperative movement was rushed through too fast⁺³ in 1957. This resulted in an

⁺¹ Che Khalid agreed with me on this probability.

⁺² See Confidential file regarding the Kuala Linggi Scheme at the Planning and Research Branch, Fisheries Division, Ministry of Agriculture and Cooperatives.

⁺³ Mr. Low Wan Kin of the Planning and Research Branch, Fisheries Division, Ministry of Agriculture and Cooperatives, agree with me on this point.

inadequate education and preparation of fishermen in the principles and practice of cooperative societies. This results in poor management and poor response from members of the cooperative societies⁺¹

Social Problems⁺²

The present patterns of economic thought and attitude among the Malay fishermen do not fit into the cooperative movement. The success of the cooperative movement depends on rational attitude, impersonal relationship and individuality from members. Kampong life is more social and impersonal in character. Because of the high degree of illiteracy, the fishermen follow customs and traditions blindly and are not economically minded in many respects. The poor response from the fishermen in the East Coast to join the cooperative societies despite the advantages and encouragement given is clear-cut proof of the impeding effects of social thinking .

For the cooperative movement to be successful, saving is important for investment in the cooperative societies in the form of purchasing shares but the present pattern of saving is to provide funds for the "kenduries" or feasts and for hoarding for the purchase of jewellery because these things enhance the social prestige and status of the fishermen in the community. Possession of cooperative shares or position in the cooperative societies does not give so much prestige.

Anti-social elements have to be fought and old prejudices have to be done away with and this is possible if there is a strong and active cooperative organisation to bring about cohesion which must weld them together and which must hold them together against the innumerable forces that have been working against them so far and have not ceased to exist.

⁺¹This fact is recognised by the 1959 Annual Report of the East Coast Cooperative Marketing and Transport Union.

⁺²See Tjoa Soei Hock: Institutional Background to Modern Economic and Social Development in Malaya.

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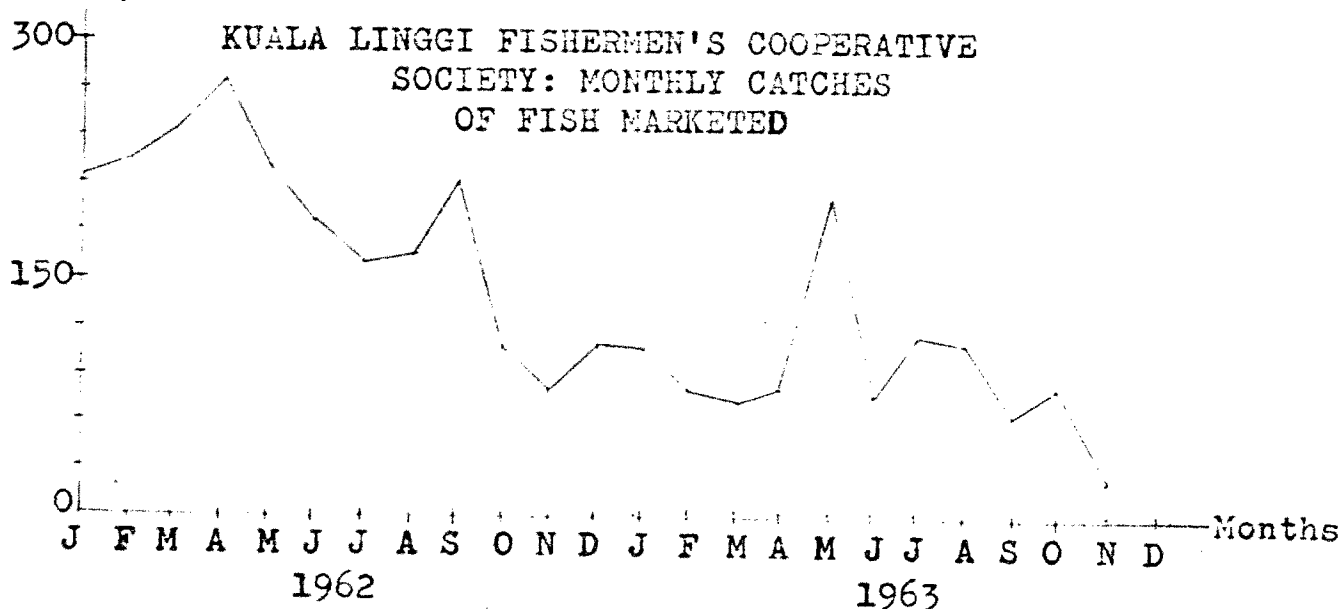
Failure of the Fishermen's Cooperative Societies

In Malaya, unlike other western countries, the fishermen's cooperative movement has not been generally successful⁺¹. In the field of fish marketing, the total volume of fish handled in 1962 was less than 10% of the total volume of fish produced in Malaya⁺² (1962 annual production of fish in Malaya was 2,859,000 piculs). The East Coast Cooperative Marketing and Transport Union handled about 12,690 piculs of wet ice fish⁺³. Though it is doing its best to be an efficient federation of the fishermen's cooperative societies in the East Coast, but due to little support from member societies, it has not achieved much success in the marketing scheme. Similarly, due to poor response from member fishermen, the fishermen's cooperative societies have not been able to function efficiently.

A good example can be provided by the Kuala Linggi fishermen's cooperative society. Despite the enthusiasm and assistance given to the scheme, it has been a failure due to lack of similar enthusiasm from the member fishermen. The monthly catches marketed by the society since 1962 have fallen alarmingly. This is shown in Graph 4 below.

Output in
Piculs

GRAPH 4



⁺¹ & ⁺² See L. Berube: Memorandum: Economic Research Report: Suggested Programme of Fisheries and Marketing Development in Malaya.

⁺³ Figures are compiled from the Appendixes of 1962 East Coast Fishing Scheme Quarterly Report to Cabinet.

Source: Figures are compiled from the confidential file concerning the Kuala Linggi Scheme at the Planning and Research Branch, Fisheries Division, Ministry of Agriculture and Cooperatives, Kuala Lumpur.

The graph shows that the volume of fish marketed by the society has been dropping since April, 1962, from 276 piculs to 21 piculs in November, 1963. Out of a possible value of \$20,000 worth of fish handed over to the society, the value of fish handed over to the society has dropped to \$1,250 per month in November, 1963+1.

The cooperative movement fails because of the small volume of fish marketed by the societies and the increasing accumulation of loans in arrears. This is due to the fact that member-fishermen normally by-pass their cooperative societies and sell their catches to the middlemen⁺². The Committee of Investigation into the difficulties of the Kuala Linggi Scheme established beyond doubt that it is the common practice of the member fishermen of the Kuala Linggi Scheme to deal privately with the middlemen. They try to avoid dealing with their society as far as possible.

It is from the marketing of fish that the societies are able to deduct a certain percentage from the sales proceeds for the repayment of outstanding loans and interest. But in by-passing the sale of fish to the cooperative societies, the fishermen have failed to pay up their loans and interest to date. This results in the societies being behind time in the repayment of their debts to the Apex Bank.

The financial position of 32 fishermen's cooperative societies of the total 45 such societies affiliated to the East Coast Cooperative Marketing and Transport Union is given in Table 17 on pages 86 and 87.

Between 30th June, 1961 and 31st December, 1963, a total of 20 societies did not pay up any cent in payment of their outstanding principal. Of these 20 societies, 18 did not pay up their interest to date for the period so that on 31st December, 1963, their interest balance owing to the Union was greater than the balance on 30th June, 1961. Only 2 societies namely, Kampong Tanjong Lumbour and Kampong Sabak have succeeded in paying their interest to date out of

+1 & +2 See L. Berube: Memorandum: Economic Progress Report: Fish Marketing: Automatic Convertible Corporation in Malaysia.

TABLE 17

MALAYA: FINANCIAL POSITION OF SOME OF THE
EAST COAST FISHERMEN'S COOPERATIVE
CREDIT SOCIETIES IN DOLLARS

Name of Societies	Principal: Balance owing to Union as at 30/6/61	Interest: Balance owing to Unionas at 30/6/61	Principal: Amount paid to Union during Period	Interest: Amount paid to Union during Period	Principal: Balance owing to Union as at 31/12/63	Interest: Balance owing to Union as at 31/12/63
1. Kg. Telaga Lanas	40,628	5,685	-	300	40,628	13,111
2. Kg. Bandar Tumpat	49,476	6,567	-	4,330	49,476	9,844
3. Kg. Kijang	37,569	4,685	-	3,075	37,569	8,482
4. Kg. Kedai Buloh	17,593	2,758	-	727	17,593	4,795
5. Kg. Pantai Chat	5,264	678	-	540	5,264	1,156
6. Kg. Kuala Besut	75,748	4,475	-	8,560	75,748	5,772
7. Kg. Ayer Tawar	26,382	2,300	-	2,155	26,382	3,929
8. Kg. Bharu Penarek	14,485	1,204	-	1,696	14,485	2,539
9. Kg. Seberang Takir	48,842	4,902	-	5,022	48,842	5,319
10. Kg. Pulau Serai	1,615	375	-	50	1,615	847
11. Kg. Sungai Buaya	20,545	1,713	-	650	20,545	4,013
12. Kg. Kerteh	41,188	2,775	-	1,100	41,188	7,235
14. Kg. Sungai Ular	20,417	1,814	-	653	20,417	4,824
15. Kg. Balok	8,512	1,379	-	650	8,512	2,747
15. Kg. Sura	3,076	392	-	243	3,076	586
17. Kg. Kemasek	11,669	1,215	-	1,180	11,669	1548
18. Kg. Tanjong Lumpur	61,669	6,033	-	11,000	61,669	5,454
19. Kg. Sungai Pinang	33,883	4,955	-	220	33,883	10,252

cont'd 187

Name of Societies	Principal: Balance owing to Union as at 30/6/61	Interest: Balance owing to Union as at 30/6/61	Principal: Amount paid to Union during Period	Interest: Amount paid to Union during Period	Principal: Balance owing to Union as at 31/12/63	Interest: Balance owing to Union as at 31/12/63
20. Kg. Sabak	9,152	1,484	-	1,770	9,152	722
21. Kg. Kubang Kawan	1,867	3	556	116	1,310	114
22. Kg. Batu Rakit.	42,290	773	86	1,220	42,214	5,153
23. Kg. Mengabang Telipot	43,597	427	664	850	42,932	6,433
24. Kg. Losong Megat Hashim	13,982	240	632	824	13,349	1,071
25. Kg. Kg. Seberang Marang	51,281	145	194	2,474	51,087	7,203
26. Kg. Ferupok	3,936	18	3,669	280	267	8
27. Kg. Merang	5,442	800	1,320	503	4,122	51
28. Kg. Pulau Duyong	4,722	43	995	199	3,727	45
29. Kg. Bandar Marang	11,890	1,396	353	441	11,537	546
30. Kg. Merchang	1,614	12	1,000	413	614	25
31. Kg. Telok Bendera	2,332	25	2,018	94	313	7
32. Kg. Paka	14,349	88	3,122	1,996	11,228	145

Source: Figures are compiled from The East Coast Fishing Scheme Quarterly Report to the Cabinet for the period 30th June, 1961 to 31st December, 1963. These Reports are found in the confidential file at the Ministry of Agriculture and Cooperatives in the Cooperative Division.

(Notes to Table 17: Figures included in column 5 concerning interest paid to Union during period do not include payments for period 1st October, 1961 to 31st December, 1961, and 1st July, 1963 to 30th September, 1963 because they are not available in the appendixes of the Quarterly Report. Nevertheless, the balance figures for interest as at 31st December 1963 do take into consideration the payments made for the 2 periods excluded in column 5. Figures are rounded to the last dollar.)

the 20. The 11 remaining societies (no. 21 to 32) have repaid part of their principal during the period. Nevertheless 4 of these 11 societies have not managed to pay up their interest to date so that the outstanding balance at the end of the period is greater than that at the opening.

From the table, we can say without hesitation that only 5 societies out of the 32 are doing fairly well or extremely well. These are Kampong Kubang Kawan (no. 21), Kampong Perupok (no. 26), Kampong Merchang (no. 30), Kampong Telok Bendera (No. 31) and Kampong Paka (no. 32). They have not only repaid nearly all their outstanding principal but also their outstanding interest. The majority of the societies are financially badly off. Of the 11 which managed to pay back part of their principal, 4 societies failed to pay their interest up to date (No. 22, 23, 24, and 25). Five societies just repaid token sums to the outstanding principal (No. 22, 23, 24, 25 and 29).

On the West Coast, most of the societies are also not doing very well. The Kuala Linggi fishermen's cooperative society initially took a loan of \$300,000 but after about 2 years, the principal outstanding in June, 1964, is at \$258,800. In addition, it has a large sum as outstanding interest and still owes the Cooperative Wholesale Society a sum of \$24,700⁺¹.

In 1964, the total accumulated arrears by the societies to the Apex Bank stood at \$1 million⁺². This left

⁺¹See confidential file concerning the Kuala Linggi Scheme at the Planning and Research Branch, Fisheries Division, Ministry of Agriculture and Cooperatives.

⁺²See L. Berube: Memorandum: Economic Progress Report: Fish Marketing: Automatic Convertible Corporation in Malaysia.

the cooperative societies with little funds as revolving capital to operate fish marketing successfully and to supply further loans to deserving members who are attracted to join the cooperative societies because of the privilege of obtaining loans at a comparatively cheaper rate. This hinders the progress of the cooperative movement. Much of the efforts of the cooperative movement is devoted to the collection of arrears from members and that of the Union to the collection from the member societies rather than concentrating on fish marketing and strengthening themselves and their operations to overcome stiff competition from the middlemen, Chinese towkays and juru salam.

The seriousness of the financial situation can best be brought out by the following quotations:

"The Union held a special General Meeting on 12th October, 1960 attended by the Secretary to the Ministry of Agriculture and Cooperatives and ^{the} Acting Commissioner for Cooperative Development to inform the societies of the grave situation of the Fishing Aid Scheme and to exhort members to do their utmost particularly in regard to loan repayments."⁺¹

"The loan repayments during the period under review were almost double that of last quarter. However, comparatively speaking, the loan repayments cannot be said to be satisfactory as they still fall far short of the amount expected."⁺²

"In view of the unsatisfactory loan collection, the Union reviewed the whole position and decided that complete reorganisation was desirable in order to improve the condition."⁺³

"The reluctance of the government to render further aid is quite understandable in view of the extreme lack of progress of the Scheme and resulting in very poor loan repayments."⁺⁴

⁺¹ See East Coast Fishing Scheme last Quarterly Report to Cabinet for 1960.

⁺² See East Coast Fishing Scheme Second Quarterly Report to Cabinet for 1961.

⁺³ See East Coast Fishing Scheme Third Quarterly Report to Cabinet for 1961.

⁺⁴ See East Coast Fishing Scheme Second Quarterly Report to Cabinet for 1962.

Due to the unfavourable situation of the cooperative societies, three East Coast fishermen's cooperative societies have recently been liquidated. In 1961, both the Cherang Ruku and the Dalam Rhu societies were liquidated by the Union. At the tail-end of the same year, the Cherating society was also liquidated. The cause of the liquidation was because of the poor loan repayment.

To look into the whole unfavourable situation and to suggest recommendations for reorganisation, the Operation Basoh Investigating Committee has been formed to study the difficulties and problems of the East Coast Cooperative societies.

Causes of the Failure

a) Management: Due to lack of insight into the cooperative principles, lack of skill and experience within management, cooperative societies cannot compete so successfully with the local middlemen, juru selam, and Chinese towkays who have long been in the business. Also, it does not draw sufficient inspiration from the members, the majority of whom are indifferent. This fact has been recognised by Dr. Tjoa Soei Hock⁺¹ who said that due to lack of experience and knowledge of marketing, the Perupok fishermen's cooperative credit and marketing society had been unable to compete with the more experienced and adapted Malay middlemen in the marketing of fish.

b) Members: For a cooperative movement to be successful, three basic conditions must be satisfied⁺²:

- (i) Enlightened membership;
- (ii) Sufficient capital;
- (iii) Aggressive management.

But due to a high degree of illiteracy, ignorance about what the cooperative societies can do for the members is widespread. Most of them do not know what is expected from them. Loyalty among the majority of the members is doubtful.

⁺¹ See Tjoa Soei Hock: Institutional Background to Modern Economic and Social Development in Malaya.

⁺² See L. Berube: Memorandum: Economic Research Report: Suggested Programme of Fisheries and Marketing Development in Malaya.

This explains the non-existence of enlightened membership which is a key factor in the success of any cooperative movement. A cooperative movement is essentially a people's movement and if members do not show enlightened membership, no matter how much the Government may do, the movement will not be successful. It is not the fault of the members because the movement was rapidly rushed through and there was never an attempt to prepare the fishermen for such a movement. Even now, there is no full-scale effort to educate the fishermen in cooperative principles and practice.

Without training, elected Committee members cannot be expected to lead the cooperative societies well. This is clearly seen in the management Committee of the Kuala Linggi fishermen's cooperative society⁺¹ where certain members of the 1962 Committee and the chairman proved uncooperative and showed unjustified defiant attitude towards proposals by the paid manager and the Ministry of Agriculture and Cooperatives. On top of that, the chairman was found to be secretly buying members' catches for his own private trade.

"The progress of a number of societies has been very poor has been occasioned by mismanagement and indifference of the Committee members of those societies."⁺²

Because of the degree of illiteracy, the democratic system of electing a management Committee to run the cooperative societies also contributes to the inefficient functioning of the cooperative societies. Those who are most popular because of their friendliness usually get elected. Votes are also given on the basis of kinship. Voting is not on a rational basis. The efficiency or enthusiasm of a particular person does not carry much weight during the election, that is, the best members are not normally returned to office⁺³.

⁺¹ See confidential file concerning the Kuala Linggi Scheme at the Planning and Research Branch, Fisheries Division, Ministry of Agriculture and Cooperatives.

⁺² See East Coast Fishing Scheme Second Quarterly Report for 1962.

⁺³ See Tjoa Soei Hock: Institutional Background to Modern Economic and Social Development in Malaya.

c) Insufficient Capital: The cooperative societies must have sufficient capital to compete with the middlemen, juru selam and the Chinese towkays in fish marketing and the provision of loans . But due to insufficient capital, they have not been able to compete successfully. This is because member fishermen do not pay up their loans up to date. Most of the operating capital fund is locked up in arrears.

Many of the West Coast societies have not been able to purchase lorry transport of their own and install their ice plants. For the supply of these, they have to depend on private enterprises. As noted earlier, this is unfavourable. It creates delays and wastage and a higher marketing cost because the societies have to pay the market rate for the supply of ice and transport.

d) Competition: The external cause of the failure is due to competition with the more experienced middlemen⁺¹, juru selam and Chinese towkays who have the necessary capital, means and transportational facilities to compete aggressively with the cooperative societies. They have the advantage of a better knowledge of local marketing conditions. They enjoy much goodwill among the fishermen. Because of long-established business relationship, member fishermen still prefer to sell their catches to their old dealers than to the cooperative societies⁺².

In Pahang and Johore, the Chinese middlemen have their own transport to send their fish to Kuala Lumpur and Singapore. So much so, the cooperative societies in those states find great difficulty in competing with them⁺³.

In the East Coast and in the Kuala Linggi area, it is a common practice for the middlemen to accompany the fishermen out to the sea in their boats, wait for them to return and purchase their catches in the sea unseen by the management of the fishermen's cooperative societies⁺⁴.

⁺¹ See Tjoa Soei Hock: Institutional Background to Modern Economic and Social Development in Malaya.

⁺² Che Samad said that such practices are common.

⁺³ See Annual Report of the Fishing Industry, 1956-59.

⁺⁴ See L. Berube: Memorandum: Economic Progress Report: Fish Marketing: Automatic Convertible Corporation in Malaya.

Che Laidin said that such practices create great difficulties for the cooperative societies at the moment.

It is this type of practice that the cooperative societies find it difficult to fight against. They have to rely on the loyalty of the fisherman.

Ways to Make the Cooperative Movement Successful

Understanding of the fishermen is a requisite to the success of the cooperative movement. Failure to take into consideration customs, beliefs and traditions may turn the cooperative movement into a failure.

The fishermen often require loans for purposes not connected with the fishing industry. Social and religious obligations imposed by customs and religion may make a heavy drain on the small fishermen's income. Participation in communal festivals and observances often impose a heavy and unavoidable obligations on the fishermen. They need credit to meet these obligations. This must be recognised by the cooperative society. Therefore, it is necessary to provide loans for such purposes. The fishermen will be compelled to seek the help of the middlemen when cooperative societies cannot provide loans for such purposes. This will tie them down to the middlemen. It is true that education will make them see the futility of such observances⁺¹ but the effects of education is slow. To be successful and to enjoy the complete loyalty of the fishermen, it is necessary for the cooperative societies to grant loans to the fishermen to meet social and religious needs and to tide them over a period of lean production.

Fishing equipments and personal belongings are not the best security for loans. The real security is knowledge of the clients⁺². Knowledge includes the fishermen's character and their ability to repay. Personal security and personal good faith of the borrowers is most common in rural loans and most convenient to the fishermen. This accounts for the successful operation of the middlemen, shopkeepers, juru selam and Chinese towkays in the fishing economy. Therefore, it is necessary for officials of the cooperative societies to establish themselves as important local figures in the fishing villages, move among the fishing community frequently and intelligently, win their confidence and understand their

⁺¹ See Tjoo Soei Hock: Institutional Background to Modern Economic and Social Development in Malaya.

⁺² See FAO: Essential of Rural Welfare.

needs, capabilities and weaknesses on which a sound credit business can be built up. For this matter, it is advantageous for cooperative managers to be appointed locally because they are widely known to the community and they know local conditions better. Strangers are looked upon with suspicions and they are not familiar with local conditions around which they have to operate.

It is important that the issuance of loans intended to help fishermen buy basic necessity goods or to meet the operating cost of the business or social and religious expenditure should not be delayed until the time for use has passed. Neither should they be given long in advance. They may be spent on other things for which the loans are not intended.

It is also necessary to encourage thrift among the fishermen. In Kuala Linggi, the fishermen spend quite a significant part of their income on cigarettes⁺¹. In the East Coast, the fishermen also devoted quite a significant portion of their income on cigarettes, tobacco and betel leaves⁺². It is also essential for the cooperative societies to encourage savings by establishing a savings department within the cooperative societies and by paying out enticing rate of interest on long-term deposits. This will make the cooperative societies less dependent on funds provided by the Government to run the societies. Today, much of the savings are invested in assets that yield no income, for example, jewellery and gold ornaments which are displayed by the women folk during festivals and social gatherings. These⁺³ render social prestige to the families. But these assets have a great disadvantage. When they are sold, there is a great loss in capital value.

The promotion of thrift to generate savings for investment in the cooperative shares or for depositing in the savings account helps to increase the size of the operating funds of the cooperative societies for more aggressive

⁺¹ See confidential file concerning the Kuala Linggi Scheme at the Planning and Research Branch, Fisheries Division, Ministry of Agriculture and Cooperatives.

⁺² See R. Firth: Malay Fishermen: Their Peasant Economy.

⁺³ See Tjoa Soei Hock: Institutional Background to Modern Economic and Social Development in Malaya.

management in fish marketing and to provide more loans to the member fishermen. The savings department can play an important part in mobilising resources from the members.

Role of Education⁺¹

Rich natural resources are not a sufficient condition for a high standard of living. The impeding factor is social in nature. To achieve economic development, the social barrier must be broken down by removing unfavourable existing conditions like unfavourable customs and traditions and beliefs and creating new conditions for the acceptance of modern ideas like the concept of democracy within the cooperative societies and the willingness to accept interest. The cooperative movement cannot succeed in the rural areas because it is a foreign institution unless certain attitudes regarding the taking of interest, the criterion for electing a person into office, the concept of the cooperative movement, its principles and practice, etc. are changed.

The success of governmental programmes for economic development will depend largely on the willingness of the rural population to modify old established patterns of values and attitudes⁺².

Though by western standard, the principles and practice of the cooperative movement are sound, in Malaya, the movement has not been generally successful because these principles and practice do not fit harmoniously into the established pattern of attitudes. Integration of the cooperative institution with the attitudes of the fishing population is necessary and this is possible by modifying the attitudes.

The role of education to convince the people who are largely illiterate and conservative that economic and social changes are a necessary condition to improve their standard of living is important. Education is a means of causing changes because it broadens the minds of the people and influence their way of life for the better⁺³. It changes attitudes. It makes people see the futility of observing certain customs and traditions. It makes people more critical and ensures a better success for the people to accept modern ideas and concepts. An enlightened society is a good breeding place for progress.

+1, +2 & +3 See Tjoa Soei Hock: Institutional Background to Modern Economic and Social Development in Malaya.

People who have changed by western education will bring about further changes in their families and to their descendants.

Careful education in cooperative principles and practice to the fishermen is essential to make them understand the purpose of the cooperative movement and what are their duties and responsibilities as members. In my readings, I gather that the success of the cooperative movement in Sweden and Denmark is because their members are literate and fully understand the principles and practice of the cooperative movement. They work together as a team.

The cooperative societies will function well when the underlying principles are properly understood because comprehension of the principles will guide the activities of the members towards the desired goals. No matter how much assistance the Government may give, success can only come when members work together as a unit in the desired direction.

Education will encourage the fishermen to save and invest their savings in the societies either in the purchase of shares or in depositing their savings there. Education will provide them with the necessary training to use their votes only for those who show efficiency and promise, not for their friends and kinsmen.

The methods to educate the rural population are through the rural Malay schools which provide education for the fishermen's children, rural adult education classes, the holding of weekly classes by cooperative societies and the organisation of talks and discussion groups supplemented by films, slides, photographs, etc. This will be dealt with in the next chapter.

Choice and Training of Personnels

As stated earlier, it is best to choose cooperative personnels who are to be the marketing and credit officers in the societies locally because of the advantage of a deeper understanding of local conditions.

It will be an advantage if the choice is on the acknowledged leaders of the kampongs. These are the ketuas or headmen of the kampongs, penghulus or the headmen of the mukims and the religious leaders who are looked upon by the local community with respect and whose words, advice and ideas carry more weight than those from people of another

area. The active participation of village leaders in the buying of shares will have a great effect on the village population⁺¹.

The training of these personnels is important⁺². Training should include business administration and handling of money to enable these personnels to administer the cooperative societies properly and to keep accounts accurately and up to date and finally to enable them to operate more aggressively to meet competition from the middlemen, juru selam and Chinese towkays on modern lines. Trainings should be given in the form of short-training courses at various regional centres from time to time. Educative bulletins should be frequently and regularly sent to them.

In conclusion, the cooperative movement is essentially a western institution and if not integrated with the Malayan environment, it is bound to fail. As such certain attitudes which impede the development of the cooperative movement must be changed. This means that the fishermen must be made to sacrifice certain attitudes which do not fit into the new socio-economic pattern. Therefore, the work of education should proceed without flagging until a nucleus of loyal and selfless members well-versed in cooperative principles and practice is formed which will speed up the work of educating the others and which will help establish sound cooperative societies from which other societies will draw inspiration.

Professor L. Berube's Recommendation to Improve the Fish Marketing Function of the Fishermen's Cooperative Societies

Professor L. Berube, a Canadian fisheries' expert, seconded to Malaya under the Colombo Plan Aid Scheme, after some investigation into the marketing system of Malaya, has recommended to the Government to establish an automatic convertible corporation to undertake fish marketing in Malaya⁺³.

⁺¹ See Tjoa Soei Hock: Institutional Background to Modern Economic and Social Development in Malaya.

⁺² See FAO: No. 1793: Report of the Centre on Institution for Agricultural Financing and Credit in Asia and the Far East.

⁺³ See L. Berube: Memorandum: Economic Progress Report: Fish Marketing: Automatic Convertible Corporation in Malaysia

At the moment, the fishermen are unprepared for the cooperative movement. Professor Berube realises that education will eventually prepare the fishermen for cooperative fish marketing but since education is a slow process, he feels that Governmental intervention now is necessary. The Government will initially establish, finance and operate the corporation, not for profit, but to provide marketing services to the fishermen to fill the vacuum between now and in the near future when the fishermen will be fully qualified to undertake fish marketing on their own. When the time comes, the Government will withdraw entirely to allow the fishermen to run the corporation. Government's withdrawal will be gradual. Initially, all the shares will be entirely owned by the Government. The corporation will also be run by it. But the fishermen will be encouraged to purchase shares from the corporation at any time when they feel it is profitable. Therefore, through time, ownership will be vested more and more in the hands of the fishermen whose elected directors will gradually replace those of the Government.

Being a central marketing body, the corporation cannot deal directly with the fishermen in fish marketing. Professor Berube recommended the use of the present existing fishermen's cooperative societies and the setting up of agencies in those fishing villages which do not have any fishermen's cooperative societies to collect the fish for marketing by the corporation. Agencies are necessary in the fishing villages in the absence of cooperative societies because the cooperative movement takes time to spread out and it is necessary for the corporation to cover every part of Malaya to be really effective in its fish marketing operation. These agencies are under the control of the corporation.

Professor Berube believes the corporation will displace the middlemen from the fishing economy eventually and it will make available to the cooperative societies and agencies the ability and experience of the displaced middlemen. Agencies will be of a temporary nature and with the impact of adult education, these will eventually be converted into cooperative societies.

Eventually, the corporation will be completely run by the fishermen. It will be served by cooperative societies throughout Malaya. Each of the major and moderate fishing villages will have a fishermen's cooperative society. The corporation will then be handling most of the fish trade in Malaya.

To ensure fool-proof success, Professor Berube recommends that the Government be given the right to license middlemen and control their activities and to establish total, partial or regional monopsony in the buying of fish in favour of the automatic convertible corporation.

I feel that such recommendation, though huge in size, is excellent. It ensures success with the Government initially nursing up the infant corporation while at the same time preparing the fishermen through education for eventual control of the corporation, both in ownership and in operation. It provides for the establishment of cooperative societies throughout Malaya with coldrooms and ice plants at every strategic centre to ensure better marketing and distribution of fish and a more stable price. It provides to the fishermen an incentive to mechanise and use more efficient gears and to develop the off-shore fisheries. The economies of large-scale operation by huge cooperative enterprises and private companies in fish marketing in Japan and Canada have prompted Professor Berube to recommend the establishment of a corporation of this nature in Malaya.

But we have to do something at the present moment to ensure a better marketing operation by the existing fishermen's cooperative societies. As far as possible the marketing managers of the cooperative societies should be appointed locally from those with wide experience. Academic qualification is not important. They should be trained by short-courses organised for them. They should be appointed and paid by the Government rather than from the funds of the respective cooperative societies. This will ensure that they can perform better. If they are appointed by and are paid from the funds of the respective cooperative societies, then they will be responsible and subordinate to the particular societies. They will be subject to the whims and fancies of the management Committees of these societies and if these Committees proved inefficient and incapable, then their wise recommendations will not be accepted and all sorts of obstacles will be put in the way of their operation.

This unfortunate situation happened in the Kuala Linggi fishermen's cooperative society in 1963.⁺¹ The management Committee of the society was a very irresponsible one. The advice of the marketing manager was seldom accepted. All

⁺¹ See confidential file concerning the Kuala Linggi Scheme at the Planning and Research Branch, Fisheries Division, Ministry of Agriculture and Cooperatives.

he attempted to do for the good of the society were often frustrated by the many obstacles the Committee created. This accounted for the poor marketing operation of the society.

In 1962, there are 77 fishermen's cooperative societies in Malaya and if each marketing manager is paid \$600 per month, the Government will be spending about \$554,000 a year on their salaries. I think this is better than seeing the poor performance of the fishermen's cooperative societies in both marketing and credit giving and the accumulation of arrears month by month. After all, the Government yearly collects a revenue of about \$6 million from tax on fuel used by the fishermen⁺¹.

In conclusion, the take-off stage will not be easy. Mistakes and errors are bound to occur. Early setbacks are likely to happen in view of the fact that the cooperative movement has been hastily implemented without prior preparation of the fishermen for the task. It is bound to meet with difficulties because the ideas are foreign to the fishermen but success is possible through education, experience, zeal and understanding of the fishermen and local conditions. Patience, enthusiasm and determination will see the movement through this difficult period. The aim of the movement is the ultimate integration of the movement with the general economic structure of the fishing economy and to do so understanding of local conditions, customs and traditions is essential. Some excellent fishermen's cooperative societies in Malaya indicate that the movement can be highly successful if properly organised. The aims of the cooperative movement are good but member fishermen must be made to respond to their duties and responsibilities towards the movement. The Cooperative movement is essential to promote the welfare of the fishermen. It must not be allowed to fail. Government participation in the early stages of the movement is imperative to ensure its success.

Professor L. Berube⁺² has great confidence in the

⁺¹ See L. Berube: Memorandum: Economic Research Report: Suggested Programme of Fisheries and Marketing Development in Malaya, page 4.

⁺² See L. Berube: (i) Memorandum: Economic Research Report: Suggested Programme of Fisheries and Marketing Development in Malaya. (ii) Memorandum: Economic Progress Report: Fish Marketing: Automatic Convertible Corporation in Malaysia.

future of the cooperative movement. He compares Malaya to Canada, 35 years ago, where the conditions of the fishing economy then were similar to those of Malaya today. The fishing population was illiterate, methods of fishing used were primitive and the fishermen were heavily exploited by the middlemen. In the second half of the 1930's, the Canadian Government and the University personnels stepped in to help the fishermen by research, planning, cooperative education and extension work and by providing long-term loans for the fishermen to mechanise and use better catching gears and to purchase bigger boats. Loans were also given to the cooperative movement to set up their own fish processing and marketing facilities. Under vigilant Government supervision, the movement grew from strength to strength. Today, over 60% of the fishermen belong to the cooperative societies which have a federation of their own, the "Les Pecheurs-Unis du Quebec" which control over 60% of the total fish production of Canada. The productivity of the fishermen has since increased tenfold through the benefit of bigger boats, better catching gears, training in fisheries school and cooperative education. The fishing population of Canada is a prosperous one. It shows that with patience and Governmental guidance and assistance, the fishermen can become masters of their own destiny. "What Canada has done at home, Malaya can do here."⁺¹

⁺¹ See L. Berube: Memorandum: Economic Research Report: Suggested Programme of Fisheries and Marketing Development in Malaya.