

**STRUCTURE AND ORGANISATION;
MEMBERSHIP AND MANAGEMENT.****Brief History of the Society**

The Loong Yip Co-operative Rice Mill Society was established in 1953 under the Co-operatives Ordinance No. 33 of 1948. The present site occupied by the Society, just outside the town centre of Sekinchan, together with the buildings and machinery now being used, originally belonged to a private milling enterprise which went into liquidation in 1953 following a government move to grant rice milling licences only to co-operative societies. The Society was originally a single-purpose one undertaking only rice milling. When padi marketing was made the monopoly of co-operative societies however, the Society became multi-purpose, undertaking padi marketing as well. Today, the Society is the largest in the Sekinchan area, both in terms of size of membership and volume of trading.

At the present time the Society is one of 17 rice milling co-operative societies in the Tanjong Karang area and is one of the 4 Chinese rice milling co-operatives in the Sekinchan area.¹ Unlike co-operative societies outside the Sekinchan area, which enjoy rice milling and padi marketing monopoly rights in specific licensed areas, the Loong Yip Society competes with the 3 other co-operative societies for the milling and padi trade of the whole Sekinchan area.

The Society is also a member of a secondary co-operative organisation, the Tanjong Karang

¹The other 3 co-operative rice mill societies in the Sekinchan area are the Loong Aik, Loong Heng and the Kian Sit Camp, Co-operative Rice Mill Societies.

Co-operative Rice Milling Union, Limited, to which the Society normally sells all padi purchased.

Aims and Objectives of the Society

The aims and objectives of the Society were framed by the Department of Co-operative Development and have been incorporated in the Society's By-laws. By-law No.7 states 12 objectives.² These objectives can be subdivided into 2 classes: economic objectives and non-economic objectives.

The economic objectives are those of rice milling and padi marketing. The objectives of the Society here are to purchase land, erect buildings and acquire machinery for the purpose of milling padi, and to arrange for the sale of padi of members and non-members of the Society.

The non-economic objectives of the Society are mainly educational. In keeping with these objectives the Society is to engage in the task of spreading knowledge regarding milling techniques, to improve techniques of padi planting and to encourage thrift, self-help, mutual aid, education and the development of the spirit of co-operation among the members of the Society.

Though the by-laws of the Society state these objectives, the Society does not, and indeed has never, made any attempt to carry out the non-economic objectives.³ The whole organisation and resources of the Society are geared solely towards the attainment of the economic objectives alone.

Structure and Organisation of the Society

The structure of the Society is determined by its by-laws which also form the Society's constitution.

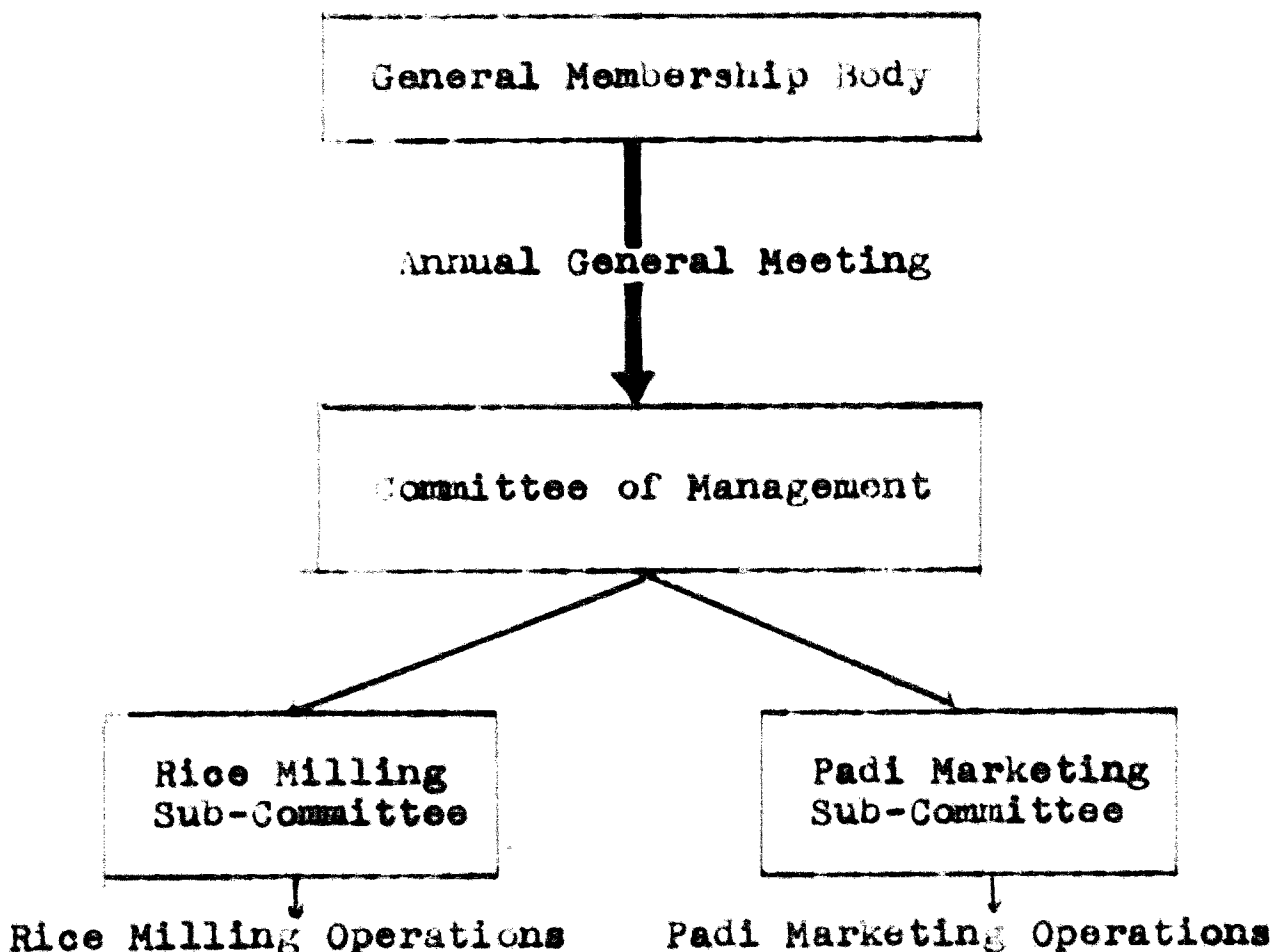
²See By-law No.7, By-laws of the Sekinchan Loong Yip Co-operative Rice Mill Society, Limited, 1953. Appendix I.

³Personal interview with committee members of the Society.

The elements of structure and organisation which can be studied are the general membership body, the Committee of Management and the 2 sub-committees in charge of the rice milling and padi marketing operations. The supreme power in the Society is the general membership body. This general membership body elects the Committee of Management which in turn selects from among its members, 2 sub-committees to look after the milling and marketing activities. Although the by-laws empower the Committee of Management to set up committees for the purpose of carrying out the non-economic objectives of the Society, no committee exists for such a purpose.

DIAGRAM 1

ORGANISATION OF THE LOONG YIP CO-OPERATIVE
RICE MILL SOCIETY.



⁴See By-law No.31, Appendix I. Op. Cit.

In this chapter on organisation and structure of the Society, we need to consider briefly the Society's financial structure. The Society is a limited liability society, the liability of each individual member being only to the extent of the amount of share capital invested. In 1965 the Society had a total subscribed share capital of \$23,100. The total amount of share capital that can be subscribed is not restricted.

The other significant aspects of the Society's financial structure are its Statutory Reserve Fund into which 23% of each year's net profits are appropriated, the investments, cash balance maintained, assets and liabilities, and the annual profit distribution scheme.

The financial structure of the Society reflects its nature as a co-operative enterprise. These aspects of financial structure stated above will be discussed fully in Chapter 5.

MEMBERSHIP

The Society follows the co-operative principle of open-membership but certain qualifications are imposed for entry into the Society. By-law No.8 limits membership to residents of the Sekinchan area, irrespective of race, who own or operate at least 1 lot (3 acres) of cultivated padi land.⁵ In practice however, residence in Sekinchan as a qualification for membership is not strictly followed, and a few Malays who live outside Sekinchan but who operate Sekinchan land, are accepted as members of the Society; also people who own or operate less than one lot of padi land are accepted as members. No amendment has been made to the by-laws regarding this.

In the case of a piece of land being owned and operated by 2 different persons, either the owner or the operator, but not both, may become a member of the Society with regard to the same piece of land. A further qualification for membership is imposed by by-law 10 which limits membership to persons of at

⁵See By-law 8, Appendix I, Op. Cit.

least 18 years of age;⁶ however a minor is eligible for membership if his guardian is a member of the Society and is willing to accept responsibility for the actions of the minor.⁷

Membership ceases if a member sells his padi land, withdraws his share capital, becomes permanently insane, bankrupt, is expelled from the Society and at death.⁸

By-law 53 stipulates that members of the Society should also sign a contract with the Society for the sale of padi.⁹ However, due to the difficulty of enforcing such contracts with every member, no contracts are made.

Nature and Composition of Membership

The membership of the Society is predominantly Chinese but there are however a few Malay members. Most of the members of the Society are farmers; however, the by-laws governing the entry of members enable non-farmers to become members of the Society. There are therefore 3 classes of members. These are the following:-

- 1) Landlords - persons who own padi land but do not operate it themselves. As rent is sometimes paid in padi these landlords find it necessary to become members of the Society in order to sell this padi received as rent. In some cases, these landlords are also shopkeepers in Sekinchan who have farmers bound to them by credit ties and who are repaid in padi.¹⁰ They constitute about 20% of membership.

⁶See By-law 10, Appendix I, Op. Cit.

⁷See By-law 11, Appendix I, Op. Cit.

⁸See By-law 17, Appendix I, Op. Cit.

⁹This contract is shown in Schedule 'A', Appendix II

¹⁰Personal interview.

- ii) Owner-operators - people who own and operate their own land.
- iii) Tenant-operators - people who do not own the land they cultivate but rent it.

Owner-operators and tenant-operators constitute about 80% of the membership.

Three factors further influence the composition of membership. These are location of padi land and residence, dialect relationships, and to a small extent, political affiliations. Location of padi land and residence are interrelated. Map I shows 3 residential sites, Sites A, B and C. Generally farmers living in each of these sites cultivate land in the Blocks nearest their homes. They also tend to become members of the co-operative society nearest to their homes because this facilitates transport of padi. In 1965, of the total membership of 316, 217 members or 68%, came from Blocks S4, S5, S7 and S8.¹¹ With

¹¹This can be seen from the table below, which was compiled from the Share Register of the Society, showing the distribution of membership by location of padi lots.

<u>Block Number</u>	<u>No. of Members</u>
S1	3
S2	12
S3	49
S4	58
S5	12
S6	18
S7	64
S8	46
S9	17
S10	5
S11	11
S12 - S16	21
Total Number of Members	316

reference to Map I it can be seen that these are the four most accessible blocks to the Society. Location of padi land therefore plays an important role in influencing membership.

Another important factor influencing membership is dialect relationships. The members of the Society are predominantly Cantonese and Khek. Site B, from which most of the members come, is mainly the Cantonese and Khek section of Sekinchan. People of these 2 dialect groups who live in other parts of Sekinchan, also tend to become members of the Society in preference to the co-operative society nearest their homes.¹²

The last factor influencing membership, though in a small way, is political affiliations. The members of the Society are mainly supporters of the Malaysian Chinese Association (MCA), and Site B, where most of the members live, is an MCA stronghold.¹³

Size of Membership

There is no restriction of the size of the Society's membership. Over the period 1961 to 1965, the size of the Society's membership has remained fairly stable, ranging from 327 in 1961 to 316 in 1965. The number of members leaving the Society each year and the

¹² All the Co-operative Rice Mill Societies in Sekinchan are characterised by the predominance of a particular dialect group in their membership. For example, the Loong Aik Society is predominantly Hokkien, and the Loong Heng Society mainly Hainanese and Hokkien. However, no discrimination against members of minority dialect groups is practised by the Loong Yip Society.

¹³ Political affiliations however do not play any other role in the general membership body other than influencing its composition. The management of the Society however has political undertones. This will be considered later when the Management of the Society is discussed.

number of new members accepted each year is very small. Table 1 below shows the size of the Society's membership as well as the number of members leaving and entering over the years 1961 to 1965.

TABLE 1

SIZE OF MEMBERSHIP OF THE LOONG
YIP CO-OPERATIVE RICE MILL
SOCIETY, 1961 TO 1965

Year	Total Membership at Year's End	No. of Members Who Withdrew	No. of New Members Admitted
1961	327	8	11
1962	327	6	6
1963	333	4	10
1964	317	18	2
1965	316	3	2

Source: Audit Reports of the Society 1961 to 1965 by Lim Yeok Shin & Co.

The trend in the size of the membership is to remain fairly stable, and no substantial increase or decrease is expected in the future.¹⁴

Membership and Share Capital

The cost of shares in the Society is \$10 each with an entrance fee of \$1. The total amount of share capital is not restricted, but by-law 28 provides that no one member may hold more than one-fifth of the subscribed share capital at any time. The stability in the size of membership shown in Table 1 causes a

¹⁴ Personal interview.

similar stability in the share capital of the Society. Also, the numbers of members leaving and entering the Society each year is very small and are mainly composed of members who hold few shares each. This exodus and influx of members therefore does not affect share capital greatly. The trends in share capital of the Society, and in average share capital per member, are to remain stable. This is shown in Table 2.

TABLE 2

MEMBERSHIP AND SHARE CAPITAL OF THE
LOONG YIP CO-OPERATIVE RICE MILL
SOCIETY, 1961 TO 1965

Year	Total Number of Members	Total Share Capital (\$)	Average Share Capital per Member (\$)
1961	327	23,830.00	72.87
1962	327	22,880.00	69.97
1963	333	23,250.00	69.82
1964	317	23,210.00	73.22
1965	316	23,100.00	73.10

Source: Audit Reports of the Society, 1961-1965, by Lim Yeok Shin & Co.

By far the bulk of the members are holders of few shares, 5 and below. The maximum number of shares held by anyone in the Society is 50, but the number of such persons is only 4. Table 3 below shows the distribution of share capital among the members of the Society in 1965. From the table it can be seen that 72.7% of the members own 9 shares or less. Those owning a large number of shares, 20 and above, constitute only 6.8% of membership.

TABLE 3

DISTRIBUTION OF SHARE CAPITAL IN
THE LOONG YIP CO-OPERATIVE RICE
MILL SOCIETY

Number of Shares Held	Number of Members	Percentage of Membership
1 to 9	230	72.7
10 to 19	65	20.5
20 to 50	21	6.8
Totals: 2,310	316	100%

Source: Share Register of the Society.

The distribution of share capital figures prominently in the distribution of power and member participation in the Society. Those members with 20 to 50 shares each, are the ones who take a keen interest in the running of the Society and who dominate the Committee of Management. The four most powerful men in the Society own 50 shares each, and other members of the committee are also big shareholders. The bulk of the membership, that is the 72.7% with 1 to 9 shares each, is by and large apathetic and is little concerned about the Society.¹⁵

Powers of the General Membership Body and
Member Participation in the Society.

The general body of members is the supreme power of the Society and this power may be expressed through the general meeting of the Society. At the general meeting, the members of the Society have the power to elect, suspend or remove members of the Committee; to consider the annual statement of accounts; to determine profit

¹⁵ Personal interviews.

distribution; to fix the borrowing limit of the Society; to consider complaints of individuals against the Committee; and to amend or repeal any existing by-law or to enact a new one.¹⁶

All questions are decided by a majority of votes. The Chairman has no casting vote and each member is entitled to only one vote except when he is acting as a proxy.¹⁷ The quorum for general meetings is at least 10 per cent of membership or 20 members, whichever is less.¹⁸

Over the period 1961 to 1965, the number of general meetings held by the Society was 6, of which one was an emergency general meeting. The number of general meetings held satisfies the by-laws which stipulate that at least 1 general meeting be held each year. The attendance at general meetings of the Society has always been exceptionally good, and has been always far above the quorum necessary. Table 4 below shows the number and attendance at general meetings over the years 1961 to 1965. Although the attendance at general meetings is far above the quorum necessary, this should not be taken to mean that the members of the Society are actively interested in the running of the Society. In fact, the supreme authority of the general meeting seems to be a farce. In practice it appears that the management committee seems to exercise the greatest control, even at the Annual General Meeting. The Chairman reads out

¹⁶ See by-law 36, Appendix I, op. cit.

¹⁷ Also no member may vote in any meeting upon a matter in which he is personally and individually interested. No member in default to the Society is entitled to vote. See by-law 37, Appendix I, op. cit.

¹⁸ See by-law 35, Appendix I, op. cit.

the issue to be decided, anything from the accounts of the Society, to amendment of by-laws, and asks for the approval of the general meeting. According to personal interviews, all motions put forward by the management committee are always passed. All voting is done by a show of hands, and objections from members against the members of the committee are very rare.¹⁹

TABLE 4

NUMBER AND ATTENDANCE AT GENERAL
MEETINGS OF THE LOONG YIP
CO-OPERATIVE RICE MILL SOCIETY

Year	No. of Meetings	Total Membership	Attendance at Meeting	Percentage (approximate)
1961	1	327	113	35%
1962	1	327	92	28%
1963	1	333	123	37%
1964	2	317	155	49%
		317	194	61%
1965	1	316	140	44%

Source: General Meeting Minutes, 1961 to 1965.

¹⁹In the period 1961 to 1965 there were only 2 occasions where members of the Society opposed the Committee. In 1961, a small group of members wanted the dismissal of the manager of the Rice Mill on grounds of mismanagement which they could substantiate. The Committee opposed them and supported the manager. The outcome of this was much argument and accusation from both sides. When the issue was put to vote, the majority supported the Committee. Again in 1964, a group of members challenged the integrity of the Committee during the Annual General Meeting. They were not supported by the majority of members present.

This apathy of the members stems from 2 factors. Firstly, the majority of the members are poor and illiterate farmers and do not really understand their rights and powers in the Society. They are satisfied as long as the Society is run on a financially sound basis. Secondly, and more important, is the fact that the members of the management committee are mostly wealthy landowners and shopkeepers in Sekinchan and have a large number of farmers indebted to them.²⁰ As such, the majority of the members feel it best for their own interests not to antagonise the members of the committee.

This apathetic nature of the general member body is a characteristic that is likely to remain for a long time. As long as the non-economic objectives mentioned earlier are neglected by the Society, as they in fact are, education of members is unlikely to take place and they will remain apathetic and unaware of their rights and powers, in the future as they have been in the past.

MANAGEMENT.

Structure and Composition of Management

The Committee of Management of the Society is elected annually at the Annual General Meeting. At the present time this Committee consists of 17 members. Prior to 1965 there were only 15 members in the Committee, but in 1965 this was increased to 17. The Committee consists of a Chairman, a Secretary, an Assistant Secretary, a Treasurer, 2 Internal Auditors and 11 Committee Members. The 11 ordinary Committee Members are divided into 2 sub-committees for the purpose of supervising the milling and padi marketing operations of the Society.

None of the members of the Committee receive allowances or salaries except the Treasurer who receives a monthly allowance of \$30. However, members of the Committee receive travelling allowances when travelling on the Society's business. Ostensibly then the services of the committee members seem to be honorary, and in

²⁰ Personal interviews. For example, the Chairman of the Society is a wealthy landlord in Sekinchan and owns a hotel and some shophouses as well.

keeping with the ideals of co-operative enterprise. However this is not really so because at the end of each year the profit distribution scheme includes honoraria for the committee members. (See Chapter 5). No provision is made in the by-laws of the Society for the payment of honoraria to members of the Committee,²¹ but the practice of doing so is followed. 10% of each year's profits after appropriations to the Statutory Reserve Fund, Co-operative College contribution and payment of dividends is distributed as honoraria. The sum involved is quite substantial.²² Honorary service in its true sense then does not exist in the Society.

A serious criticism can be levelled at the present committee for the way in which the annual elections of the committee are carried out. Although the Minutes of the General Meetings show that elections are held every year, it would appear that few new members are elected to the committee. The committee has remained in power virtually unchanged since 1956. The election procedure followed has been simply to ask the general meeting if anyone objected to the present committee remaining in office for the following year.

²¹By-law 27 regarding the disposal of profits does not include any provision for payment of honoraria. No amendment to the by-laws has been made to provide for honoraria. See By-law 27, Appendix I, Op. Cit.

²²Honoraria amounted to:

\$1,212.68	for	1961
\$1,179.79	for	1962
\$ 405.90	for	1963
\$ 763.23	for	1964
\$ 780.00	for	1965

If there were no objections, the old committee continued to hold office.²³ This system has ensured that the same committee has been re-elected en bloc year after year since 1956. In spite of intervention by the Co-operative Officer present at each general meeting, this same method of elections was carried out in 1963, 1964 and 1965 and will probably not be changed as long as members remain apathetic.

It would appear that it is in the interests of the present committee to remain in power because of strong vested interests. The Chairman and a number of committee members known as the "Chia clique" are wealthy shopkeepers and landowners in Sekinchan who have a large number of farmers indebted to them. As rent for padi land and loans are often settled in padi, the "Chia clique" has to remain in power in order that it can dispose of this padi through the Society's marketing licence.²⁴

²³In 1963, the old committee tried to follow the same system and to have itself 'elected' for 2 years at a time. The Co-operative Officer present at this meeting stopped this as it was an infringement of the by-laws. However the committee resorted to the same method and was re-elected for one year.

An extract from a letter to the committee from the Senior Chinese Co-operative Officer, dated 18/1/63, reads as follows:

"..... According to the by-laws the elections should be held each year unless a resolution tabled by the general body is passed... It should not be taken for granted that just because no member voiced his objection, the old committee can retain their seats."

²⁴Personal interview.

Further, it is also rumoured in Sekinchan that committee members receive a commission for padi that is sold to rice mills in Kuala Lumpur instead of to the Tanjong Karang Co-operative Rice Milling Union.²⁵

Powers and Duties of Management

The powers and duties of management are laid down in by-laws 21 and 44.²⁶ These powers and duties may be summarised into 5 classes:

- a) Disciplinary powers - against members of the Society for infringement of by-laws and against employees of the Society.
- b) To look after the milling and marketing of padi and all matters pertaining to these 2 activities.
- c) To keep true and accurate financial records.
- d) To decide on schemes of profit distribution.
- e) To purchase agricultural requisites for members.

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Padi has to be sold to the Union only and may be sold to Kuala Lumpur only with the approval of the Union. It is rumoured that the Mills in Kuala Lumpur offer a commission to Societies to encourage them to sell rice to them, on the black market if necessary. However, this is only a rumour, and no information was available regarding the amount of padi black-marketed to Kuala Lumpur, or the commission rate.

²⁶ See By-laws 21 and 44, Appendix I, op. cit.

Specific duties for the Secretary and the Treasurer of the Society are laid down in by-law 48.²⁷ In all their duties, the committee is required to observe the Co-operative Ordinance and its rules.

Regarding the financial and business operations of the Society there is little to criticise the committee. Indeed the effectiveness of the present committee in managing the business operations of the Society will be a credit to any private enterprise. Disciplinary powers are frequently exercised especially against employees. Accounts of the Society are carefully filed and kept up to date.²⁸ The Society is run as smoothly and efficiently as a privately-owned business enterprise.

Of all the duties of the committee stated earlier, only one is totally neglected. The committee does not purchase agricultural requisites for members.²⁹

²⁷The duties of the Secretary may be summarised as follows: to conduct the current business of the Society, manage its correspondence, superintend the working of the office, to maintain the share register, to summon and attend general and committee meetings and to be responsible for the proper maintenance of accounts. The duties of the Treasurer are to receive deposits, loans and money due to the Society and pay money due from the Society, and to manage the cash in hand kept by the Secretary. For details of duties see By-law 48, Appendix I, Op. Cit.

²⁸Accounts are audited by external auditors and financial statements prepared by Lim Yeok Shin & Co. in Kuala Lumpur. At the time of the collection of data for this exercise, in April 1966, the Society was the only one of the 4 co-operative rice mill societies in Sekinchan whose accounts had been audited and complete financial statements prepared for the year 1965.

²⁹Members have to turn to private dealers for agricultural requirements such as fertilisers, and scarcity is experienced every year.

Committee Meetings

The Committee meets regularly and attendance at committee meetings is exceptionally good. By-law 43 requires the Committee to hold meetings at least once a month and the quorum for such meetings is at least 5 members.³⁰ Table 5 below shows the number and attendance at committee meetings of the Society over the years 1961 to 1965.

TABLE 5

NUMBER OF ATTENDANCE AT COMMITTEE MEETINGS
OF THE LOONG YIP CO-OPERATIVE
RICE MILL SOCIETY

Year	Number of Meetings	Size of Committee	Average Attendance
1961	17	15	13
1962	13	15	13
1963	11	15	12
1964	14	15	13
1965	12	17	14

Source: Committee Meeting Minutes.

Except for 1963 when only 11 meetings of the committee were held, the other years show more than the minimum number of meetings required. Attendance at meetings too is exceptionally good. These committee meetings are not a formality held because the by-laws say so, but are genuinely held to conduct the business of management. The duration of committee meetings as shown in the committee meeting minutes is usually about 3 hours and in many cases, as much as 5 hours at a time.

³⁰ See By-law 43, Appendix I, op. cit.

Committee meetings do not seem to be dominated by anyone as general meetings are dominated by the committee, and the minutes indicate the active participation of most committee members.

Trends in Management

Over the past few years some trends in management have become apparent. Firstly, the present management committee is not politically neutral and political considerations seem to be gaining influence in some decisions of the committee. For example, until 1961 the Society made annual welfare donations to a certain school in Sekinchan whose Board of Governors were mainly members of the local Malaysian Chinese Association. In 1961 however this Board of Governors was dominated by members of the Socialist Front and in that year the Society stopped its welfare donations to the school. Further, the members of the committee, being mainly officials of the local Malaysian Chinese Association, are in the practice of using the Society's premises to hold political rallies, store pamphlets and other materials during local election periods.³¹

Another trend in Management is the increasing power of the present Committee. According to the Chinese Co-operative Officer, Selangor, the present committee is so powerful that it is likely to remain in power for a long time to come. If the past is any indication of the future, the present committee is likely to retain power and at the same time manage the Society financially well to keep ordinary members satisfied, and to give no cause for discontent.

³¹ Personal interviews.