

## CHAPTER VI

### CONCLUSION

#### The Society in Perspective

The Loong Yip Co-operative Rice Mill Society can be appraised as to the extent that it has achieved its economic and non-economic objectives and to the extent to which the running of the Society reflects the principles and ideals of co-operative enterprise.

In the drive towards the attainment of the economic objects of rice milling and padi marketing the Society shows the vigour and vitality characteristic of any successful private enterprise. Since the establishment of the Society in 1953, rice-milling operations have always yielded a substantial profit. Padi-marketing operations ran at a loss only in 1963, but this was due mainly to competition from black-marketeers, forces which are outside the control of the Society. This record of success in the attainment of economic objectives would be a credit to any private enterprise. The credit for this however must be given to the Committee of Management of the Society alone. In spite of shortcomings in the Committee (see Chapter II), the financial success of the Society is a tribute to the members of the Committee, and stands testimony to their ability and efficiency as businessmen.

In its economic operations, the Society reflects the co-operative ideals of cash trading and no undue assumption of risks. In Chapter V, the small amount of accounts receivable and accounts payable in the finances of the Society shows the extent of cash trading, and is especially significant when the total volume of the Society's operations is taken into consideration. In its investments, the Society has never taken any undue risks. Investment in shop-buildings in Sekinchan at a cost of about \$29,000/- yields an annual rent income of \$2,400, and if the present position of Sekinchan village as a marketing and business centre is any indication of the future, the success of this investment is assured. Another

Investment of \$5,000 worth of shares in the Chemical Company of Malaya has been decided upon.<sup>1</sup> Perhaps the only investment which seems unwise is that of \$5,000 worth of shares in the Tanjong Karang Co-operative Milling Union. This investment has never paid a dividend. However, no criticism can be made of the Society regarding this as the Co-operative Milling Union was a government organised secondary co-operative organisation, which all co-operative rice mill societies in Tanjong Karang have to join.

Other co-operative principles followed by the Society are those of patronage dividends and limited interest on share capital. Interest on share capital is limited to 6% per year, by law. Patronage dividends were paid every year on milling and padi sales by members. It is often said that the payment of patronage dividends is the one true characteristic of a co-operative enterprise. However, this should not be taken to mean that since the Society pays patronage dividends, it is truly co-operative. The absence of some other principles, ideals and practices of a genuine co-operative enterprise shows that the Society is in many respects not genuinely co-operative in character.

First, democratic control of the Society by its members, in the true sense, is lacking. Although the by-laws of the Society empower each member with one vote, and vest supreme authority in the general meeting, it would seem that the actual control of the Society is in the hands of the Committee of Management (see Chapter II).

Another criticism of the Society is the absence of true honorary service, as the Committee receives honoraria every year. We must however make allowances for the fact that running the Society as the financial success that it is, requires a great deal from members of the Committee. In the absence of salaried managers to undertake padi marketing operations and manage the finances of the Society, the Committee does all the

---

<sup>1</sup>The risks in this investment are small, for the Chemical Company of Malaya is a subsidiary of the internationally reputed Imperial Chemical Industries (I.C.I.).

work. Payment of honoraria is at least justified to some extent.

The Society may be further criticised for the political undertones of the Committee. This is not in keeping with the co-operative ideal of political neutrality, and is especially serious as it affects some of the policies of the Society, for example, with regard to welfare donations (see Chapter II - Management).

Perhaps the major criticism of the Society is its total and absolute ignorance of the non-economic objectives of educating the members and installing in them the spirit and ideals of co-operation. However, while we can criticise the Society for this, it would not be fair to attach any blame on the Society. The idea of co-operation came from the government, and did not develop naturally among the members. While the traditional cultures of the ordinary members may value co-operation and mutual aid, I do not believe that these traditional cultures placed much emphasis on education and non-economic objectives as goals to be achieved by co-operation. As such, the general member body of the Society seems unaware that the Society does in fact have non-economic objectives. All that they seem to look for in the Society is its financial success. This is perhaps a generalization but even if there were someone in the Society who sincerely wished to undertake the non-economic objectives, I feel sure that response from members would not be too encouraging. In an interview with the Chinese Co-operative Officer, Selangor, I came to the conclusion that the present generation of members is not likely to want the Society to undertake its non-economic objectives. There is however hope in the future, when the new generation of members, armed with at least a primary school education, would possibly have different values, and place some emphasis on the attainment of non-economic objectives.

No blame can be attached to the Committee of the Society either for ignoring the non-objectives. The knowledge of the Committee members of the ideals of co-operation seems to be limited to short courses at the Co-operative College. These courses last from 2 to 3 weeks and include many aspects of co-operative

enterprise. Only a few Committee members have attended such courses. It would be unfair to expect any such persons to come back from the Co-operative College charged with a sense of duty of educating the members of the Society. As long as the general member body itself does not realise for itself the importance of carrying out these non-economic objects of the Society, the Committee is likely to ignore them completely and concentrate on the economic objectives alone.

### The Role of the Society in Implementing the Guaranteed Rice Price Scheme

The low prices received by farmers reflect the Society's failure in implementing the Guaranteed Rice Price Scheme. Prices paid to farmers have varied from \$1.70 to as much as \$2.40 per picul below the guaranteed price. (See Chapter IV). To consider the Society alone as being responsible for this would be unfair.

The primary loophole in the Guaranteed Rice Price Scheme is its failure to take into consideration the implications of deductions for moisture made on padi purchases. Deductions for moisture content of padi are made on all padi sales by the Society to the Tanjong Karang Co-operative Milling Union and the Selangor Rice Millers Association. The result is that payment is based only on net sales by the Society and not the gross amount accepted by these final buyers.<sup>2</sup> To compensate for these deductions, the Society has to make deductions on prices paid to farmers.

In spite of the aim of the Guaranteed Rice Price Scheme to stabilise padi prices by means of a guaranteed minimum price, market forces of supply and demand nevertheless exert their influence on prices by means of the loophole provided by moisture deduction. At the height of the marketing season, abundance of supply results in high deduction rates and prices are low. Towards the end of the season, scarcity of

---

<sup>2</sup> Prices paid to the Society per picul on net sales were 20 to 30 cents below the guaranteed price which is ex-Tanjong Karang. The deduction of 20-30 cents is transport from Sekinchan to Tanjong Karang.

supply forces deduction rates down, and prices rise. (See Chapter IV "Analysis of Pricing").

The high but nevertheless essential overheads of the Society's padi marketing operations are another drain on the guaranteed price.

The role of the Society in implementing the Guaranteed Rice Price Scheme can perhaps be considered negative. Farmers bear not only deductions made on the Society's sales but transport charges and the overheads and expenses of the Society's padi marketing operations as well. From the farmers' point of view then, the Society constitutes a cost of marketing their padi.

#### Relations of the Society with the Division of Co-operative Development

The Division of Co-operative Development (henceforth called the Division) has no statutory powers over the Society. The role of the Division in the Society has been supervisory and advisory. The primary channel between the Society and the Division is the Chinese Co-operative Officer, Selangor. This officer ensures that all accounts and books of the Society are kept up to date, points out infringements of by-laws to the Society and advises the Society whenever necessary. It is also required of the officer to attend both committee and general meetings of the Society and give advice and assistance in conducting meetings. This officer has absolutely no statutory powers and his advice may or may not be accepted by the Society. Statutory power is vested only in the Registrar of Co-operative Societies by the Co-operative Ordinance of 1948. The most that the Division can do is to report to the Registrar.

The relations between the Society and the Division of Co-operative Development have by no means been cordial over the period 1961 to 1965. The Committee of Management particularly, seems to resent the presence of the Co-operative Officer at general meetings and even more so at committee meetings. The Co-operative Officer has been present at every general meeting of the Society since 1961 and has always tried to encourage ordinary members to voice their opinions.

This was resented by the Committee and in 1964, the Committee petitioned the Commissioner of Co-operative Societies about the 'high-handed actions' of the Co-operative Officer at the general meeting of the Society.<sup>3</sup> The Committee is also in the practice of postponing scheduled committee meetings, without first informing the Co-operative Officer, so that he is not able to attend.<sup>4</sup>

The only help that the Society seems to ask of the Co-operative Officer is that of ordering spare parts for milling machinery from firms in Kuala Lumpur. Other than this, the Society seems to feel that the less interference there is by the Division the better it is for the Society. The Committee of the Society particularly seems to regard intervention by the Division a threat to their power, especially since the Co-operative Officer has always tried to convince the members of the Society that they are the supreme power in the Society, and to encourage member participation in the running of the Society.<sup>5</sup>

#### A Summary of Problems Faced by the Society

The problems faced by the Society fall into 2 main groups. First, there is the problem of undertaking the non-economic objectives of the Society and increasing member participation. The solution of this problem is likely to solve many other related problems like the present domination of the Society by the Committee of Management (see Chapter II).

In the second group are problems concerning the operations of rice-milling and padi-marketing. The main problem of rice-milling is the obsolescence and low capacity of the machinery which results in high running costs, with the result that profits from rice milling are not as high as they could be. (See Chapters III and V).

---

<sup>3</sup> Co-op. File No. 590/13. Inspection Reports of the Loong Yip Co-operative Rice Mill Society, Ltd.

<sup>4</sup> Personal interview.

<sup>5</sup> The Chinese Co-operative Officer considers the Loong Yip Society as his biggest problem.

With regard to padi marketing, the problems faced by the Society are caused by competition from blackmarketees. The Society's marketing operations have high overheads and it is vital for success that the volume of padi trading be increased. Competition from blackmarketees has drastically reduced the volume of padi purchases and sales since 1962, with the result that the Society's profits from marketing are low and unstable, and have even resulted in a loss in 1963. (See Chapters IV and V).

### Recommendations for Improvement

The problem of attaining the non-economic objectives of the Society is not likely to be undertaken by the Society itself. Both the general body of members and the Committee of Management are not likely to realise the importance of these objectives for the reasons stated at the beginning of this chapter. Initiative and assistance has to come from outside the Society. I feel that it is the responsibility of the Division of Co-operative Development to undertake such a task. From the viewpoint of the expenses involved, the Society's strong financial position will surely be able to bear them. What is necessary is a number of trained government officers with the sole task of helping co-operative societies to attain their non-economic objectives.<sup>6</sup>

The solution of the problem of educating the members of the Society is likely to solve the allied problems of increasing member participation in the Society with the ultimate result that the domination of the Society by the Committee of Management would decrease.

The problems caused in rice-milling operations by the obsolescence and high running costs of machinery will most likely be solved by the purchase of new milling machinery of greater capacity. The present

---

<sup>6</sup> At present there are only 3 officers in the Education and Publicity section of the Division of Co-operative Development and these three are fully occupied in publishing pamphlets.

drain on profits caused by excessive amounts of overtime allowances being paid, would then stop. The increased profits from milling which would then result would surely justify an investment in new machinery.

The problems in padi marketing caused by competition from blackmarketeers are quite outside the capacity of the Society to solve as it has no statutory powers to apprehend blackmarketeers. The solving of this problem depends on the extent to which the authorities can curb these blackmarketeers. The future of the Society's padi-marketing operations, and indeed the new padi-marketing scheme of the Federal Agricultural Marketing Authority as well, depends on the success of curbing blackmarketeers.