

CHAPTER 6

CONCLUSION

THE SOCIETY IN PERSPECTIVE

Society its aims and achievements

The Society had underlined in its by-laws, its aims which have been categorised (in Chapter two) as being economic and non-economic in nature. In accordance with the economic aims of the Society, which is to promote the economic interest of its members the Society had provided two services of economic significance; that is Rice Milling and Padi Marketing services. In this respect, though such services are intended primarily for its members such services have also been extended to others from the predominantly agricultural community.

The extent in which the Society had worked in the direction of its stated aims has been clearly indicated in Chapter five. Being farmers engaged mainly in the production of padi, members immediate economic interest will be to have a satisfactory means of disposing its product and receiving a fair value for it. No doubt that farmers in the area do not really have a choice in this matter since the Co-operative Societies in the area held a monopolistic position with regards to padi marketing - being the only organization in the area issued with licenses for purchasing padi. However, due to certain factors like the presence of unlicensed agents in the area (who similarly undertake purchasing and marketing of padi) and other Co-operative Societies the service are provided by the Society was made safe from being exploitive; as it would have been considering the Society's monopolistic position. Hence the economic interest of its members in particular and the whole agricultural community in general is preserved.

The Society also attempts to ensure that the services provided to its members are at the minimum costs, thereby ensuring that members are not paying more than what they should. This is done by way of declaring rebates on the amount of members padi milled or sold through the Society.. This means that members are actually paying less for every picul of padi they send to the Society to be milled and receiving more for every picul of padi they

sell through the Society.

Further the prices for padi as paid by the Society to its members must be considered as fair especially considering the situation in other rice producing areas like Sungai Besar where the price received by the farmers was as low as \$10 to \$11 per picul (early 1966).¹

However, it is not meant to be implied by this that members of the Loong Aik Co-operative Rice Mill Society are receiving the best possible deal. As it is, the situation still leaves much to be desired. The point is, the Society through its milling and marketing operation had worked in the economic interest of its members.

In respect of its non-economic aims the Society sets to educate and disseminate a knowledge of the principles of cultivation and milling of padi and to encourage in members the spirit and practices of co-operation and self-help. However thus far the Society has not made any real or concrete contribution in this direction in fairness, it must be said that the Society had (in conjunction with the other co-operative societies in the area) in the past, organised film shows and pictorial exhibitions meant to promote the idea of co-operation within the agricultural community. However efforts and initiative in this line has come mainly from the Division of Co-operative Development. These were held about once a year in Sekinchan and were organised jointly by all the Co-operative Societies in the area.

An assessment as to whether this has been a substantial contribution by the Society in promoting the idea of co-operative association among its members (and the public at large) must however be gauged from the farmers angle. Though the response from members, especially to these film shows has been substantial this could not in any way be taken as an indication of the farmer's and members' enthusiasm regarding the idea and philosophy of co-operation. Such a response on the part of the farmers can be regarded as natural considering their essentially rural outlook towards such matters. This is evidenced by the fact that there has not been in the past any significant

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This information was gathered in March 1966² when an investigation was made by the Federal Agricultural Marketing Authority, on the marketing practices of co-operative societies in the rice producing areas of Tanjong Karang and Sungai Besar.

resultant effects on the members of the Society - for example by way of increased participation and involvement in the Society or by any other visible signs. The value of co-operative education must be realised however especially in such circumstances where there is a need for member participation and loyalty.

With regards to educating its members and disseminating among them a knowledge of the principles of cultivation and milling of padi it was found that throughout the entire history of the Society, this field has been completely neglected. The only reason for this is the lack of facilities and means through which the Society could work towards its implementation. This is indeed one example illustrating the consequences of transporting model by-laws to each and every co-operative society without prior consideration of its possibility or alternatively without subsequent provision of facilities through which such aims could be realised.

The scope of such an objective is wide and without doubt will prove to be of great significance to the members of the Society. In this respect, the Co-operative Society can actually assume the role of an agricultural extension worker. Facilities must be provided to the Society, whereby information regarding agricultural methods could be disseminated to the members and through which problems of farmers could be channelled to the Agricultural Department for advice and prescription. Members being mainly simple farmers will find it more to their own convenience and tastes if they were to deal through their own Society rather than direct with the Agricultural Department where the experience may prove to be too unaccommodating to them. This will mean that the Co-operative Society must have close contact with the activities of the Agricultural Department. However care must be exercised here to see that the relationship with the Department of Agriculture does not go beyond the relevant issues such that would lead the Society to function merely as an agency of the Ministry of Agriculture. As a co-operative society it must preserve its identity and remain autonomous if it every desires to be meaningful especially to its members.

The Society and Co-operative Philosophy

The Loong Aik Co-operative Rice Mill Society had clearly expressed in its by-laws to undertake business operations with the object of promoting the economic interests of its members in accordance with co-operative principles. Indeed some of the articles in the Society's

by-laws are clear expressions of some of the principles upon which the Co-operative Society is based. However while such may be inscribed in the by-laws, the extent to which the Society actually subscribe to these principles in practice is entirely a different issue.

One of the principles of co-operation is the principle of open membership, founded on the premise that every person is eligible for membership. The Society had to a great extent subscribed to this principle. In fact where membership is concerned, the Society had even gone beyond the extent of its by-laws to accept persons residing outside its areas of operation as members. The only limitations placed on membership are:

- (a) those persons below the age of 18
- (b) those residing outside the Sekinchan area and
- (c) those not operating or owing padi land in the Sekinchan area.

These limitations are however necessary and basic especially to a co-operative marketing society (which the Loong Aik Co-operative Rice Mill Society partly is) and hence must not be regarded as amounting to a contradiction to the principle the Society is supposed to have subscribed to.

However implied in this principle of open membership is the idea of selection. Every application for membership into the Society is considered by the Committee of Management. However the criterion for acceptance as adopted by the Committee is only limited to the applicant's good character and habits. No discrimination on the basis of race, politics, religion or wealth has ever been reported to be practiced by the Committee. An inspection of the Society's membership register, reveals this point. Members are not homogeneous either with respect to wealth or race or status in the community.

A study of the Society's Administration and Management also reveals its conscription to the principle of democratic control. This principle which is based on the premise of equality among members is manifested in the idea of one-man-one-vote; and this is essentially the practice followed by the Society. Further, the system of representation and election into the Committee of Management and the delegation of authority from members to the Committee of Management and subsequently to the various sub-committees (on rice milling and padi marketing) indicates as to the democratic nature of the Loong Aik Co-operative Rice Mill Society. For example every member of the Society, provided he is over 21 is eligible to be elected into the committee and all decisions

are based on majority votes.

However while this has generally been true, there are some anomalies in the practices of the Society which cast doubt on the extent to which the principle is fully subscribed to. Hence while the idea of having Malay and Chinese members in the Committee is democratically sound, the manner in which the idea was brought into reality (that is, through separate elections for Chinese and Malay members) is prejudicial to the very concept of democracy. Further management is almost oligarchical in nature. Decisions and policy making rested solely with the Committee of Management. So also with regards to initiative, participation and involvement in the activities of the Society, including the general meetings.

The Loong Aik Co-operative Rice Mill Society also subscribed to the one real and immutable characteristic of all co-operative organisations, which is the principle of Patronage dividends. The Society had in accordance with this principle and its by-laws, distributed its earnings (after the claims of organization and capital investments have been met) to the members on the basis of the volume of business done. This had been done every year in the five year period, except in 1964, when dividends for 1963 was not declared. This was on account of the loss incurred by the Society in 1963.

The Society had also ensured itself from being criticised by people with wealth to provide profit for themselves. This is done by declaring in its by-laws that no individual may hold more than 1/5 of the share capital of the Society and that only a dividend of 6 percent per annum is allowed to be paid on capital contributions from members. This is all in line with the principle of limited interest on capital.

However with regards to the secondary principles of Political and Religious Neutrality and the promotion of education, these had not been seriously followed by the Society. It has been noted in Chapter three that politics play a significant role in the Society especially with regards to the election of members into the committee and the election of office bearers in the Committee of Management. Politics however does not end here. For example in 1961, a proposed donation of \$1,000 to the Yoke Kuan Chinese School (which applied for such a donation) was turned down by the Committee (composed mainly of M.C.A. party members) on the basis that the Board of Directors of that school was comprised predominantly of Socialist Front party members. It is fortunate to note that the involvement of politics in the affairs of the

Society had not assumed any greater proportion than this.

With respect to co-operative education it has also been seen that this is entirely left in the hands of the Division of Co-operative Development, Ministry of Agriculture and Co-operatives.

The Society had not also followed the principle of honorary services to the full. The situation as it existed in the five year period was a compromise between honorary and paid services. All the members in the Committee are paid allowances at the end of the year (as yearly appropriations from the net profits earned by the Society for the year). In addition some of them are provided additional allowances for certain services. For example the Treasurer and members in the Padi Marketing sub-committee are paid extra allowances of \$30 a month during the padi marketing season. Similarly the Committee member functioning as Manager in the Rice Milling Section also receive the same amount, but for the whole year round. From this, a member serving in the Committee of Management could receive as allowances from the Society an amount in the region of \$200 a year.

This brief survey serve to show the extent in which the Loong Aik Co-operative Rice Mill Society fully subscribe to the Co-operative philosophy. A reference to the by-laws of the Loong Aik Co-operative Rice Mill Society (See Appendix I) reveals the fact that the Co-operative philosophy which is expressed in the principles covered above is deeply imbedded in the articles of the Society's by-laws. However in actual practice the Society had not (as its by-laws) shown a similar outlook towards the philosophy upon which it is based. This has been noted above. Perhaps the reason is more circumstantial (partly at least) rather than a deliberate policy initiated by the Management. This especially true with regards to the management process. Members generally are uneducated and do not realise the value of democratic management - hence the emergence of an oligarchical Management Committee. And it is with due regards to this too that elections into the Management Committee was allowed to deteriorate into a politically based issue. However in fairness, it must be noted in conclusion that the Society had identified itself, with the co-operative philosophy especially in respect of its adherence to the main or primary principle of Co-operation.

The Society and its potential scope of activities.

It cannot be denied that the Society as a co-operative endeavour has achieved some measure of success

in its operations. It has been able to declare dividends and rebates to its members and at the same time still have a substantial balance of liquid assets. Hence the question arise as to whether the society should or could embark upon a wider scope of activities such that the economic interests of its members could be further enhanced.

For example there is the possibility that the society could undertake the marketing of members produce like maize and tapioca or enter into a consumers co-operative venture.

During the five year period, maize and tapioca are grown as off season crops to the main padi crop. However with double cropping which started in 1965 the cultivation of maize and tapioca was restricted to only the market gardens surrounding the Sekinchan local Council area. (See diagram I). Though this has greatly reduced the total output of these two crops from the area the amount marketable (that is, the amount in excess of local consumption or marketable surplus) is still quite substantial.

Bulk of the farmer's produce are marketed outside the Sekinchan area. This function is undertaken by market middlemen who purchase the farmers' produce direct from the farms. These purchasers then either sell the produce to the wholesalers in Kuala Lumpur or Klang or acts as purchasing agents on the wholesalers behalf thereby receiving commission for every consignment.

From this, it is clear that if the Society decides to interfere with the present marketing set-up and at the same time taking the economic interests of its members (and non-members if necessary) into consideration it must be able to market the produce it handles direct to the areas where there is a market for them. It will be economically unsound for the Society to simply collect the farmers produce and sell it off locally to the purchasing agents or other market functionaries. For, while this collective marketing may bring to the Society a bigger bargaining power (which individual farmers will not be able to achieve) the Society would in fact be creating an additional market functionary in the marketing chain, thereby increasing further marketing costs and consequently either increasing the price to the consumers (at the risk of a depressing or decreasing demand) or depressing the prices at the farmer's level.

In sending the produce direct to its markets the Society is faced with two alternatives, that is to set up its own marketing agency in the markets or consign its produce direct to the wholesale or retail distributors in each respective market. The first alternative which

means integrating all the marketing services obviously involves high capital and overhead costs and cannot be recommended provided the quantity handled by the Society is sufficiently large enough to off set such high fixed and overhead costs. It further entails the problem of market research and training - in order to arrive at some competitive level of efficiency. Being a new venture the Society will find some difficulty in gauging market demand and formulating its marketing scheme; for example whether to practice price discrimination in different markets (in order to take advantage of differing relative demand in the different areas) or sell at low price in order to boost up sales and others. These are problems which the present management is not likely to be able to solve. In the first place, the amount marketable is not sufficiently large. Further the experience and capability demanded of them will prove beyond what the management can offer. However this alternative has the advantage of reducing greatly the length of the marketing chain thereby drastically cutting down marketing costs.

The other alternative will be to consign the products direct to the distributors in the wholesale market or retail market. This will mean that co-operatives will be dependent on the distributors for marketing its product. However since the Society operates on a non-profit motive, services at cost is possible - hence marketing the products at minimum costs. The problem arising out of this dependency on the distributors however is serious. Distributors could depress prices by refusing to accept consignments on false excuses. Thus the Society must ensure that its products are consigned to a number of distributors such that there will develop a sufficient element of competition in the wholesale market.

The basic problem to be faced by the Society however are problems of transportation, finance and efficiency in management. It has been noted in chapter four that dependence on privately owned commercial lorry transports can prove to be a problem at times. Difficulty may be experienced in obtaining lorry transport or drivers may have to be bribed in order to undertake any consignment of products. Hence it may prove advantages to the Society to own its own lorry transport. However it must be remembered that these are heavy capital investments for such a Society. Thus, the cost incurred must be valued carefully against the disadvantages on benefits that may accrue to the Society. Returns on capital investments must be sufficiently high.

Finance is a basic problem in all marketing enterprises. Hence new ventures must prove to be economically

own it and have the right to control it. Further, the co-operative enterprise is democratic enterprise and hence must demonstrate the value of democratic management in the vast and complex structure of the modern economy.

However these are literally beyond the comprehension of the simple farmers, whose ignorance and lack of education had formed the very basis for such apathy. There exists thus a sort of vicious circle which fortunately can be broken. This is through education with well defined objectives and methods of implementation.

Firstly, co-operative education should aim at making members aware of their social and economic conditions and the value of co-operative action in bringing about an improvement of these conditions. Secondly it must serve to create an enlightened membership which would give sustained loyalty and support to that Society and who would be able to take intelligent decisions on issues that impinge on that daily lives. Members may also be helped to pursue their vocations more efficiently and vocational education, for example in improved agricultural techniques to farmers and in home economics to farmer's wives should be given. Thirdly the objective should also be ensure a steady supply of leaders to the co-operative society. The Society as is presently the situation must stop depending on a few men, elected mainly by virtue of that wealth, political conviction and status position in the community and not by their knowledge of co-operative matters and ability to lead. Fourthly, the co-operative enterprise must maintain a continuous sense of dynamism so as to achieve higher levels of efficiency. A lively discussion and debate on structure, development trends and problems should be carried on in co-operative periodicals or news-letter which can be brought out by the Society. Finally the Society after it attains a certain stage of development cannot confine its educational activities to its own ranks. It operates within an existing socio-economic framework and if its is to counteract the opposition of private interest groups it must constantly enlarge the number of sympathisers. The Society should therefore interpret its achievements, aspirations and its ideology to the community in order to attract their attention and interest.

It must be emphasised here that membership education is the most fundamental and also the most difficult. In the writer's opinion, given an enlightened membership, proper leadership would emerge and the direction of the activities the Society should follow would be on sound lines.

In this respect, the Society itself should assume

the educational tasks since member education must essentially be local. In the past the Society has been generally apathetic in this direction. This is partly due to its lack of awareness of the importance of co-operative education and partly for want of guidance from the top (that is the government). However since co-operative education is a technical task, the Society would need to employ a technically qualified staff. In this connection the Division of Co-operative Development, Ministry of Agriculture and Co-operatives or the Ministry of National and Rural Development may be of great help, by sending trained personnel to supervise and guide such an undertaking.

Finance for co-operative education will be another major problem. While this need may be solved by creating an 'education fund', from appropriations based on some fix percentage of net profits every year, it is likely that this may prove insufficient. In this respect, it is most likely that the Society will have to convert its allocation for welfare funds and interests on loans into the education fund. Contributions from members too may prove beneficial - for while it may only be limited in potential it would serve to increase their sense of participation and responsibility towards the Society and for member education programme.

Operations

With regards to operations, the problem faced by the society can be defined partly as one of ineffective marketing scheme. Farmers receive prices which are way below the guaranteed minimum price paid at mill door. This is attributable to the excessive system for deducting moisture or extraneous content and grade of padi, and also to the Society's inability of keeping costs to the minimum. Since prices are 'low' and the margin needed for undertaking the marketing service is high, competition from unlicensed agents in the area thus assumed serious proportions, as is evidenced by the loss incurred by the Society in 1963. Operating on smaller overheads, these agents could offer better prices to the farmers. Hence in this context the question arises as to whether the Society can justify its monopolistic position in the provision of marketing services to farmers. If private traders could afford to offer better prices to the farmers, as they had evidently demonstrated in 1963, there is no reason why they should not be given the liberty (on licences) to undertake the purchasing and marketing of farmers produce. If this is done then the Society can (provided it minimises its costs) assume the role of a counter-vailing power which it alone can assume consistently and without ulterior

motive. Definitely this will be of important economic benefit to the farming community in the area.

Finance

As had been noted in chapter five, the financial position of the Loong Aik Co-operative Rice Mill Society is fairly sound, with a large proportion of liquid assets and a favourable current ratio. The only criticism that can be leveled against the Society with regards to financial matters is the Society's practice of keeping large amounts of cash in hand. Though this is not really a problem by itself, however, one cannot at the same time disregard it. The seriousness of such practice needs no emphasis.

Conclusion

Considering the present level of development in the rural areas it has come to be accepted that a Co-operative Society must assume a much more comprehensive role in the economic betterment of the rural population. It has come to be accepted too, in this country that a Co-operative Society will have to touch all aspects of life of the poor farmer in order to break the sovereignty of money-lender-trader. This is the role given to it by the government as part of its economic development plan. Hence it would not be just to measure its achievements only in financial terms. The impact which its activities can have on the social structure in the village must also be taken into consideration.

Considering the above, the government naturally plays quite an important role in Co-operative affairs. Like democracy, co-operatives have a high positive value. Politically therefore the government support such an association. Further illiteracy, lack of leadership and inadequate funds necessitate active government participation. We have noted this in our study of the Loong Aik Co-operative Rice Mill Society, Limited, Sekinchan.