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Ministry of Agriculture, Forestry and Fisheries

General Directorate of Agriculture

Department of Agricultural Cooperative Promotion

**MANAGEMENT OF
AGRICULTURAL COOPERATIVES
IN CAMBODIA**

A Handbook for the Training of Members and the Board and the Supervisory Committee Members of Agricultural Cooperatives with special emphasis on Increasing Membership and Share Capital in the Kingdom of Cambodia

Prepared by: Project for Establishing Business-Oriented Agricultural Cooperative Models (BPAC)

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FOREWORD

Agricultural cooperatives throughout the world have contributed significantly in supplying food stocks. These institutions have also provided employment and source of income to farmers and other people who are dependent on farming. Agricultural cooperatives operate efficiently on two platforms – vibrant and enlightened membership and adequate capital. A higher level of membership using a higher level of capital contributes to the success of agricultural cooperatives. All types of cooperatives throughout the world have succeeded because these have been used by the members. A higher level of use is possible with active participation of membership and accumulation and availability of capital in a cooperative.

It has been observed that the membership of agricultural cooperatives, except in few cases, consists of poor farmers who do not have enough funds and facilities to conduct their agricultural operations on their own and with their own resources. Rich farmers can manage their own operations – they can purchase and own farm machines, create their own infrastructure, and hire people to support agricultural operations. Rich farmers can also manage irrigation facilities as well as land improvement operations on their own, but such people are few and not present in all the countries.

Farmers in low-income countries and who do not have sufficient financial resources, generally fall on their agricultural cooperatives for support – they seek loan for land improvement, purchase of inputs, harvesting operations and storage and even shipment. They harness labour force for farm operations. Agricultural cooperatives, therefore, stand by them and provide sufficient and timely support to the members by giving them timely loans and by creating agricultural infrastructure for them. Agricultural cooperatives, therefore, should have the potential to cater to the needs of their members. Members, on the other hand, to secure the services of their cooperatives, need to participate in all the activities of their agricultural cooperatives.

Participation of members is an important aspect in all agricultural cooperatives. Participation here means, participation in organizational and management and financial areas. It is necessary that members attend all meetings. Members participate in the democratic activity by electing the right types of people to the Board and other committees. Members should feel free to ask questions and make suggestions and observations on meetings. Members should come forward to make suggestions to change the bye-laws and internal regulations and other aspects of management. Members should not get influenced by the leaders of the agricultural cooperative - they are completely free and independent.

Agricultural cooperatives and their members in all countries need credit to carry out their farming operations. Agricultural cooperatives give credit to members from their own capital and from the borrow funds. Agricultural cooperatives should, therefore, build a high level of equity and other funds to be able to give credit to the members – short or medium term loans at reasonable interest. The interest of cooperative credit, in most of the countries in the world, is cheaper than the market rates. Agricultural cooperatives should, therefore, build up a comfortable level of capital by way of increasing the share capital and other funds. These cooperatives are neither chit funds, nor kitty parties, nor any lending enterprises. The agricultural cooperatives cannot and should not make use of its entire capital. These are different from private money lending operators. Agricultural cooperatives do not exploit their members like the moneylenders do. They offer the reasonably safer and fair credit services to farmer-members.

Agricultural cooperatives have, therefore, to increase their share capital and to obtain funds from other sources e.g., government, cooperative banks etc. Money can also be raised from voluntary and compulsory deposits from the members with assured returns. It should be kept in mind always that agricultural cooperatives are not kitty parties or chit funds – these are formal institutions and give loans at concessional rates, not at prevailing market rates. Credit extended must also be returned with interest in full and in time for further circulation.

Agricultural cooperatives, therefore, need to offer more services to their members e.g., marketing, of members' products, supplying, farm inputs and living necessities and farm guidance besides credit services. Mere lending money and from its own capital is not the only function of the agricultural cooperative. Agricultural cooperatives are not the moneylenders. They lend money to the members by generating resources from various sources, and these sources cost funds [in the form of interest].

The main object of this handbook is to assist the government officers in charge of agricultural cooperatives promotion and agricultural cooperative officials to be able to explain to the members of agricultural cooperatives the significance of increase in membership and share capital. Membership comes from within the community.

It should be borne in mind that everyone, including the Board and supervisory committee members, promoters of the cooperative, and even the government officials who help promote the agricultural cooperative, should encourage increasing its capital. The capital is the treasure, and it should not be left loose to be distributed among the members indiscriminately. A lot of sound judgment needs to be made to

make a judicious use of the capital. The accumulated capital is not for lending wholesale.

ICA Cooperative Principle No. 03 states: 'Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and, supporting other activities approved by the membership.' In the light of this statement, agricultural cooperatives must keep most of the profits gained as the results of business operations in their organizations without paying high-rate share dividend to members and use in a proper way with all incoming funds [share capital, savings and others], not to be loaned out fully leaving nothing behind in the treasure of the agricultural cooperative.

With a proper amount of motivation a large number of members of the community would be interested to become members of agricultural cooperatives. Members should, therefore, be informed of the advantages that agricultural cooperatives could offer. In the same way, members would be forthcoming to buy shares to take advantage of the services. The government officer in-charge of agricultural cooperative promotion, therefore, should organize a variety of groups of people to discuss the advantages of being members of agricultural cooperatives and encourage them to participate in their own cooperatives.

The government officers in-charge of agricultural cooperative promotion and the officials of agricultural cooperatives need to understand the entire management structure of agricultural cooperatives. They also should be aware of the advantages of credit and other business activities of agricultural cooperatives which are quite different from private enterprises.

We hope that the material presented in this Handbook would be of some use to the government officers in-charge of agricultural cooperative promotion and to the members and officials of agricultural cooperatives.

Masahiro Matsuda
Daman Prakash

AN ADVISORY NOTE FOR THE USERS OF THIS HANDBOOK

This Handbook is intended for creating awareness among the members and officials of agricultural cooperatives with a view to increase their interest and economic participation in their agricultural cooperatives. The Handbook has, therefore, been developed as a teaching material for a one-day training session.

The material contained in this Handbook is basic and aimed at farmer-members of primary agricultural cooperatives. Farmer-members should be able to operate their agricultural cooperatives in a democratic manner. These cooperatives should be able to provide all essential services to the members. Of course, credit service is always crucial but surely not entirely from its own capital. Own capital should also be used for other services as well. These aspects need to be emphasized during the training session.

The users of this Handbook should, therefore, go through the material carefully so that they understand the concepts and the working of agricultural cooperatives. They should understand it well that an agricultural cooperative is not a lending agency alone, it has many other functions to perform. The material can be divided into two sessions – one, giving information to the members, and two, encouraging them to make suggestions on the services of agricultural cooperatives.

A summary should be provided towards the end of the program and made available to the participants. The participants could be the full members of agricultural cooperatives along with the members of the Board of Directors.

The government officers in-charge of agricultural cooperative promotion should emphasize that lending money is not the only objective of agricultural cooperatives and share dividend to members must be limited to increase the capital of agricultural cooperatives to invest in new and/or existing businesses which can provide benefit to members. Charging interest equal to or the higher than the market rates is also not the objective of agricultural cooperatives.

CHAPTER-01 DEFINITION OF AN AGRICULTURAL COOPERATIVE

[i] Definition

The following is the definition of a cooperative society which is acceptable throughout the world.

“A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.”

Similarly, an agricultural cooperative can be defined as follows:

“An [agricultural] cooperative is an autonomous association of persons [farmers, tenants, landless farmers, dairy farmers, agricultural processors, both men and women] united voluntarily to meet their common economic, social and cultural needs [credit, farm inputs and living necessities supply, marketing of agricultural produce, land development and agricultural techniques] and aspirations through a jointly-owned and democratically-controlled enterprise [cooperative or a farmers’ business organization].”

[ii] Characteristics of an Agricultural Cooperative

The following are the characteristics of an agricultural cooperative:

- [A] The agricultural cooperative is *autonomous*. It is independent of government, private firms and political groups. Nobody except the members can interfere in and control the management and operations of an agricultural cooperative. Only the authorized members are entitled to do so. Agricultural cooperatives should, however, keep a good relationship with the government, especially the Ministry of Agriculture, Forestry and Fisheries.
- [B] It is an association of persons [farmers, tenants, landless farmers, agricultural processors, dairy farmers, fruit-growers and members of the village/town community]. Agricultural cooperative admits any person as member who has some land, or who works on any farm on tenant basis and who deals in agricultural commodities for processing, warehousing or shipment. People who are engaged in

production and distribution of vegetables, fruits and other farm commodities e.g., beef and milk cattle, poultry, swine-handling, can be admitted as members of agricultural cooperatives. Only those are given the right to vote who have paid admission fee and purchased at least one share of the agricultural cooperative.

- [C] Members of the local community are free to join the agricultural cooperative and leave it as and when they decide. Admission to the agricultural cooperative is purely voluntary, No farmer can be pressured to become a member of the agricultural cooperative. It is totally voluntary and optional. Members are free to leave the cooperative. No member can be expelled from the membership except in accordance with the provisions of the bye-laws.
- [D] Members of an agricultural cooperative satisfy their common economic, social and cultural needs through their agricultural cooperatives e.g., fertilizer, seeds, land improvement equipment or facilities, harvesting and warehousing including shipment.

Agricultural cooperatives are organized to provide all possible support to farmer-members. Agricultural cooperatives benefit their members and contribute support to their communities; Farmer-members can suggest to their agricultural cooperative to provide various services. All services have to be paid for. There is nothing free in a cooperative enterprise unlike governmental organizations.

The agricultural cooperative provides five major services to their members e.g., credit [saving and loan], marketing, farm input and living necessity supplies, joint-utilization and farm guidance.

- [E] The agricultural cooperative is a 'jointly-owned and democratically-controlled enterprise'. The farmer-members are the owners, controllers, managers and users of their own agricultural cooperative. The management control is based on the principles of democratic management, transparency and accountability. The agricultural cooperative has a unique status – it provides both social and economic services to its members. Such a pattern does not exist in any other form of business – public or private.

[iii] Principles of Cooperation

All agricultural cooperatives throughout the world are operated on the basis of certain universally-accepted Principles of Cooperation. There are seven such Principles. These are:

First Principle: Voluntary and Open Membership: Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

Second Principle: Democratic Member Control: Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women, serving as elected representatives, are accountable to the membership. In primary cooperatives, members have equal voting rights [one member one vote], and cooperatives at other levels are also organized in a democratic manner.

Third Principle: Member Economic Participation: Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership [limitation of share dividend].

Members allocate surpluses for any or all of the following purposes: Developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; Benefiting members in proportion to their transactions with the cooperative; and, supporting other activities approved by the membership through the general meeting.

Fourth Principle: Autonomy and Independence: Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

Fifth Principle: Education, Training and Information: Cooperatives provide education and training for their members, elected representatives, managers, and employees, so that they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

Sixth Principle: Cooperation among Cooperatives: Cooperatives serve their members most effectively and strengthen the Cooperative

Movement by working together through local, national, regional and international structures.

Seventh Principle: Concern for the Community: Cooperatives work for the sustainable development of their communities through policies approved by their members.

Unfortunately, the third principle has not penetrated fully into the minds of government officers and members and officials of agricultural cooperatives in Cambodia. Most of them have been misunderstanding as the main purpose of agricultural cooperative is to pay share dividend to members. They have even been encouraging paying more and more share dividend to increase number of agricultural cooperatives and their members.

The Law on Agricultural Cooperatives in Cambodia quotes those seven principles changing the word, “cooperatives” to “agricultural cooperatives” at the last page, But, the sentence, “Members usually receive limited compensation, if any, on capital subscribed as a condition of membership” which expresses “limitation of share dividend:” is missing in the original in Khmer.

The government officers and officials of agricultural cooperatives in Cambodia are strongly requested to fully understand the third principle, “limitation of share dividend” and “allocation of surpluses for developing cooperatives” and the background, and explain members and officials of agricultural cooperatives to clear up their misunderstanding.

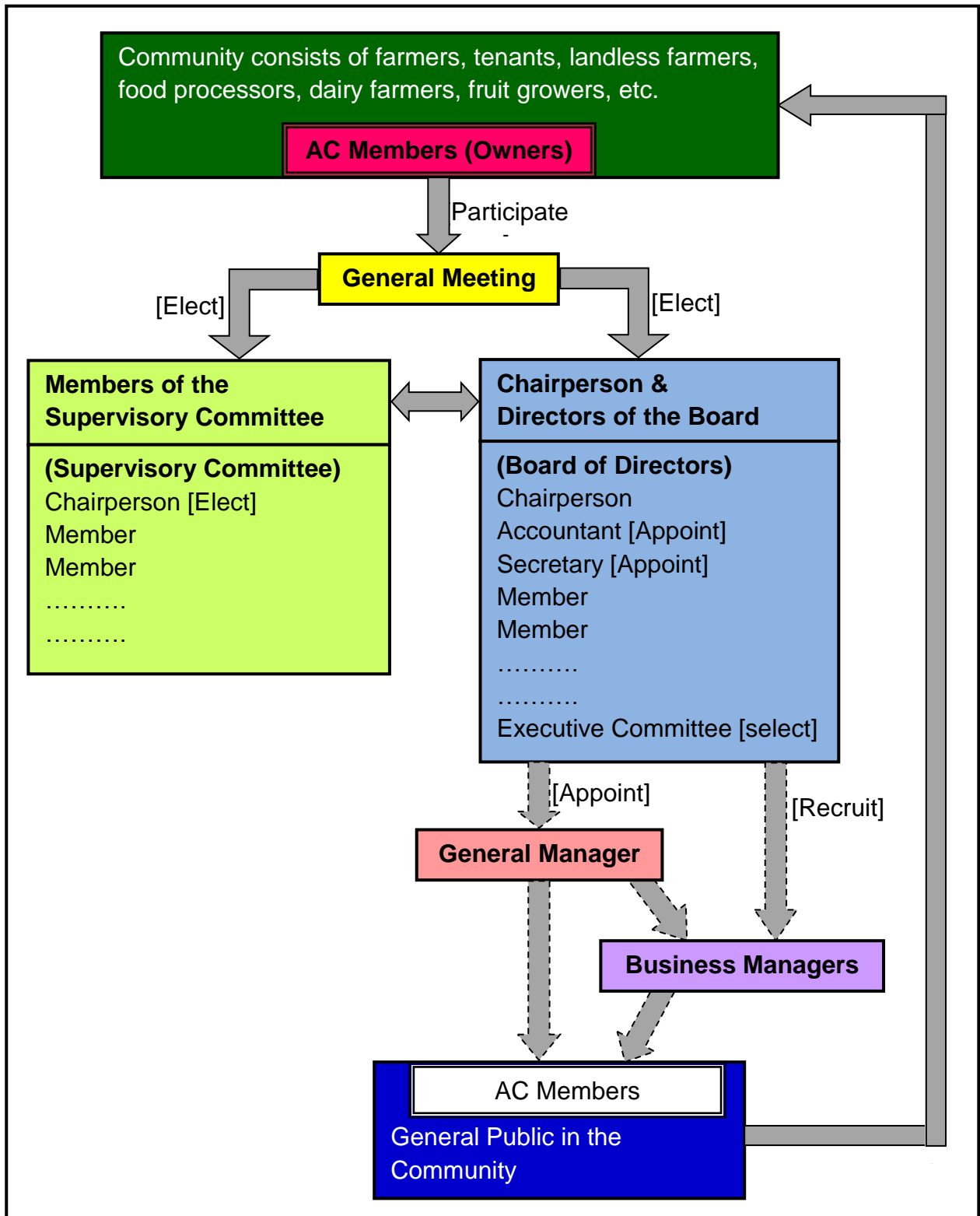
Most members of agricultural cooperatives in Cambodia have been participating into agricultural cooperatives in order to receive share dividend and expecting higher return it must be difficult for officials of agricultural cooperatives to persuade those members to accept lower share dividend, But they should do and the government should strongly support it otherwise there is no future.

[iv] Basic Cooperative and Ethical Values

The Principles of Cooperation are based on certain Cooperative Basic and Ethical values. These are: [a] the values of self-help, self-responsibility, democracy, equality, equity and solidarity; and [ii] the ethical values of honesty, openness, social responsibility and caring for others.

CHAPTER-02

ORGANIZATION & MANAGEMENT OF AN AGRICULTURAL COOPERATIVE



The real power of the agricultural cooperative is within the community from which the members formally join the cooperative. The formal members, who, after paying admission fee and after purchasing at least one share, represent the needs of the community. The members form a General Meeting. The General Meeting elects a Board of Directors consisting of a President, Vice-President, and other members. The Board of Directors is the principal management body of the agricultural cooperative. The Board, based on the policies laid down by the General Meeting, implements the decisions through the professional management staff. The Supervisory Committee, also elected by the General Meeting, monitors the decisions and activities of the Board. The agricultural cooperative, therefore, has four principal bodies e.g., the General Meeting, the Board of Directors, the Supervisory Committee and the management staff.

CHAPTER-03

BYE-LAWS/STATUTE OF AN AGRICULTURAL COOPERATIVE

BYE-LAWS/STATUTE



The bye-laws or the statute of an agricultural cooperative is adopted by the members voluntarily. It serves as a management guide to all functionaries of the cooperative. A copy of the model byelaws is generally provided initially to the organizers by the government initially.

Members make necessary changes and adopt the bye-laws as its constitution. It is then registered by the government. It gives a legal status to the document and the cooperative. The General Meeting is free to make necessary changes [amendments] in the provisions. Principal provisions of the bye-laws described in the Law on Agricultural Cooperatives [2013] of Cambodia are the following:

- Name of the agricultural cooperative
- Logo, office, and address
- Business types
- Capital, value of share, condition for payment of shares
- Financial management conditions
- Procedures for book-keeping and management documents
- Financial liability of members for the debt of agricultural cooperative; this liability shall not exceed four (4) times of the value of shares held by each member
- Rights and obligations of members
- Criteria for admission of members
- Criteria for registration of membership and dismissal of members
- Prescription for general meetings and general meetings of delegates
- Composition of board of directors and supervisory committee
- Procedures for convening board of directors and supervisory committee meetings
- Roles and duties of board of directors and supervisory committee
- Criteria for amalgamation of agricultural cooperatives
- Criteria for dissolution of agricultural cooperatives
- Procedures for dispute settlement within the agricultural cooperative
- Procedure for revision or amendment of the statute

The final version of the registered bye-laws is kept always in the office of the agricultural cooperative and the government agricultural cooperative promotion section. It is open and available to members at all times. It serves as a guide and code of conduct for various functionaries of the agricultural cooperative. No decision can be taken against the provisions of the byelaws.

CHAPTER-04 **MEETINGS** **IN AN AGRICULTURAL COOPERATIVE**

The role of meetings in an agricultural cooperative is very important. It is through the meetings that the agricultural cooperative is able to respond to the needs of the members. An agricultural cooperative is a progressive service and business institution. It is the organization of farming community.

The management of agricultural cooperative has several types of meetings:

01 General Meeting of Members – Annual

The General Meeting is the supreme and all-powerful part of an agricultural cooperative. Annual meetings are held once a year to take notice of the progress of activities, approval of expenditures, and to approve future activity program and its budget. General Meetings are held also to conduct elections of members of the Board of Directors, Supervisory Committee and other committees.

02 General Meeting of Members [Extraordinary]

Such meetings are held on the basis of demands of members, Board of Directors and Supervisory Committee and also to take care of certain emergencies of the agricultural cooperative.

03 Board of Directors Meetings

The Board is elected by the General Meeting. Its meetings are held on a regular basis, generally, once or twice a month. The purpose is to conduct the business of the agricultural cooperative. Board meetings are also held to approve loans exceeding a certain amount to members and

to take care of the income and expenses of the cooperative. The Board of Directors is answerable to the General Meeting.

04 Supervisory Committee Meetings

Members of the Supervisory Committee are elected by the General Meeting. Its meetings are held as called by the chairperson of the Committee or at the request of the members. The purpose is to monitor the activities of the Board of Directors ensuring accountability to members of the agricultural cooperative. The Supervisory Committee is answerable to the General Meeting.

05 Other Meetings

The General Meeting can also elect or appoint certain functional committees. They report to the General Meeting. Their meetings are held as and when necessary.

CHAPTER-05

SOURCE OF INCOME AND EXPENDITURE OF AN AGRICULTURAL COOPERATIVE

The source of income of an agricultural cooperative comes from the followings:

- 01 Admission fee from members
- 02 Shares purchased by members
- 03 Interest received on loans given to members
- 04 Commission/agency services on sale of members' produce
- 05 Deposits [compulsory and/or optional] made by members
- 06 Loans raised by the cooperative from outside sources
- 07 Service fees utilized by members
- 08 Interest received from the bank on deposits
- 09 Penalties and fines imposed by agricultural cooperative
- 10 Donations and grants

All incoming funds are received by the accountant of the agricultural cooperatives and deposited in the bank for safekeeping. Some cash can be retained at the cooperative level to meet the day-to-day expenses.

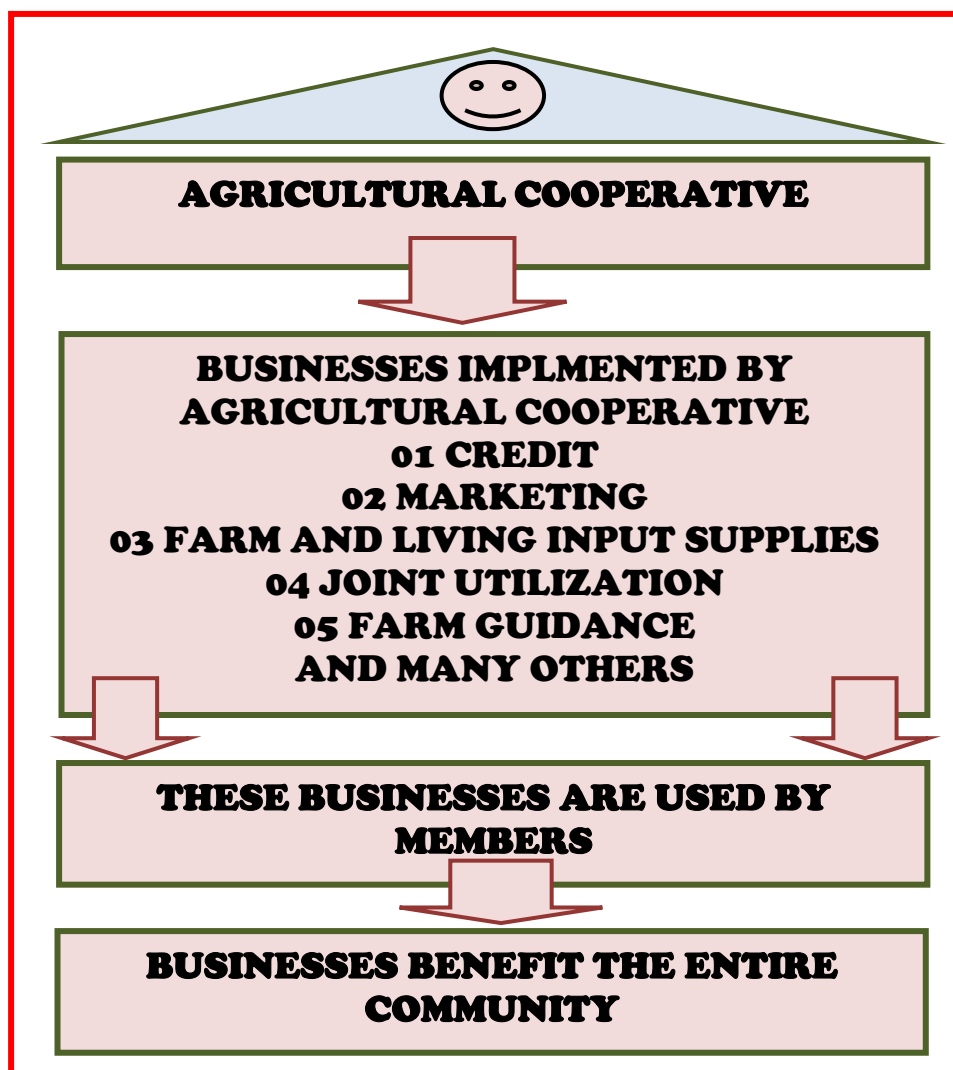
Expenditure by the cooperative is counted under the following heads:

- 01 Salaries and wages
- 02 Loans given out to members

- 03 Rentals and hiring charges paid by the cooperative
- 04 Office management covering stationery, furnishings and fittings
- 05 Travelling expenses
- 06 Operational expenses e.g., repairs, fuel, electricity etc.
- 07 Legal costs and consultancies
- 08 Postage and telecommunication
- 09 Insurance and supplies
- 10 Unforeseen expenses

A statement of accounts showing the income and expenses is prepared periodically by the Board of Directors of the agricultural cooperative. On a regular basis also, the cash in hand and the bank statements are reconciled as to their correctness. All expenses need to be approved by the Board from time to time.

CHAPTER-06 **BUSINESSES** **OF AN AGRICULTURAL COOPERATIVE**



Depending upon the level of business operations, the agricultural cooperative can expand its businesses to the members. Expansion can be e.g., provision of farming equipment, setting up of a warehouse, provision of marketing yard, provision of transport equipment, agro-processing machines, and a variety of guidance services to the members. The cooperative implements businesses as per the needs and demands of members. The demands are ascertained by the cooperative from its members on regular basis through meetings and personal interactions.

CHAPTER-06-A **CREDIT BUSINESS** **OF AN AGRICULTURAL COOPERATIVE**

The agricultural cooperative takes care of all the professional and personal needs of its members. It provides all kinds of farm input and living necessity services. It also organizes marketing of members' produce. The principal function of an agricultural cooperative is a "Credit Business" to disburse loans to members and accept savings from members.

There are several types of loans which are given by the cooperative. These are: Long-term loans; and Short-term [or medium-term] loans. The long-term loans are for land improvement, irrigation and to create facilities for agricultural production. The short-term loans are to enhance agricultural production and fulfill the needs of daily life of members. These are seasonal crop loans. Such loans are in high demand and given based on crop season. These loans are given on reasonable rates of interest [which is generally lower than the prevailing open market rates].

All loans and business transactions are discussed and approved by various committees and the Board of Directors.

Credit is supplied to the members according to their credit limit fixed by the agricultural cooperative.

All loans are not given to members from own capital of the cooperative. If the cooperative does not have its own sufficient capital, it can borrow money from other cooperatives, the cooperative bank or government

and then relend it to the members. In general, an agricultural cooperative must set the ceiling of borrowing from outside.

Members are usually entitled to several times of their own contributed shares based on the internal regulation on credit business. All loans are given to members on interest. The interest rate is decided by the regulation. It is generally lower than the open market rates. Open market rates are considerably high. All loans have to be repaid to the cooperative within the prescribed time.

If the loan is not returned in time, a penalty is imposed on the defaulting members. Due to continuous defaulting, the member may even be disqualified from receiving further loans.

All loans need to be returned to the cooperative with interest. Repayment of loans in time helps to give loans to other members. The capital of the agricultural cooperative should keep on circulating to be useful.

If there is no circulation of capital in the form of loans, the cooperative loses its credibility and the members feel disappointed. Circulation of capital is the crucial factor leading to the success of a cooperative. Higher circulation of capital enables more members to borrow and take advantage of the credit service. Higher circulation of capital also generates income by way of interest.

Such a situation helps the agricultural cooperative to enlist more members from the community. Reasonably lower rate of interest and quick loan provision is one single reason for attracting new members to the cooperative. More members using the credit facility means higher income for the agricultural cooperative [by way of interest earned].

In order to enlist more members, an agricultural cooperative has to develop an efficient system of lending and recovery of loans without resorting to fines and punishments. This would mean that more intensive member education programs need to be carried out to explain the credit system. It needs to be explained to the members that agricultural cooperatives are not kitty parties or money-lending clubs. They do not exploit their members. They are there to help the members.

It should be borne in mind that everyone, including the Board members, promoters of the cooperative, and even the government officials who help promote the agricultural cooperative, should encourage savings in

its capital. The capital is the treasure which can be used not only for lending to members but also for implementing other businesses. It should not be left loose to be distributed among the members indiscriminately. A lot of sound judgment needs to be made to make a judicious use of the capital. The accumulated capital is not for lending wholesale.

Cooperative Principle No. 03 states: “Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and, supporting other activities approved by the membership.”

If the members collect funds, deposit the same with their agricultural cooperative, and the cooperative lends it out in full to the members, then there is no difference between the cooperative and moneylender. It is a bad practice, if the government officers and the Board members suggest that the entire accumulated funds should be loaned out. The accumulated capital is the vital source of financial strength of the agricultural cooperative, and only a part of it should be used for lending operations.

In the light of this statement, all incoming funds [share capital, savings and others] need to be preserved and used in a proper way, not to be loaned out fully leaving nothing behind in the treasure of the agricultural cooperative.

CHAPTER-06-B

MARKETING BUSINESS OF AN AGRICULTURAL COOPERATIVE

Members are engaged in production of agricultural commodities e.g., food grains, fruits and vegetables, milk and other farm products. Members of agricultural cooperatives are also engaged in poultry, meat production, agricultural processing, warehousing, shipment, and land improvement. Some members are engaged in handicraft activities using locally-available material to supplement their income.

All members want to sell their produce as soon as possible in order to get money, as return of their investment in order to repay their loans and to meet their personal and domestic needs. By quick marketing, members can plan for future plans of production. With the money in hand, they can purchase the inputs and prepare their farmland. They can also strengthen or expand irrigation facilities. Marketing business of agricultural cooperatives should, therefore, be quick, easy and profitable. In order to realize it, agricultural cooperatives should make efforts to find a market and produce better commodities, which can fulfill needs of the market and consumers, with their member-farmers.

Farmers generally get lower rates for their unprocessed primary products. If some value-addition is done, marketing can produce more money. There are many methods to add value to primary products. Agricultural cooperatives can provide technical support and guidance to their members and run joint utilization facilities for members.

Warehousing, quick transportation and better packing of primary products add value to the products.

Quick and profitable marketing also encourages members of the community to become members of agricultural cooperatives. Everyone wants to have quick return of their investment, and this is possible with a better method of marketing.

CHAPTER-06-C

SUPPLY BUSINESS

OF AN AGRICULTURAL COOPERATIVE

Member-farmers of agricultural cooperatives want to be sure of timely, adequate and low cost farm input supplies for the next season. These supplies are: quality and adequate quantity of fertilizer, good quality seeds, farm chemicals, quality agricultural tools and equipment.

It is, therefore important that the agricultural cooperatives ensure that members get timely farm inputs and other related services at lower cost. With an easy credit in hand, and being assured of timely supply of fertilizers and seeds, members can make production plans sufficiently in advance and to meet the market and personal needs.

Agricultural cooperative has, therefore, to negotiate sufficiently in advance for the supply of fertilizers, quality seeds etc. It also needs to prepare a comprehensive indent of the farm inputs in bulk needed by various member farmers. With such an information in hand, the agricultural cooperative can negotiate those purchasing costs with the producers and distributors/agents. It also can have such items in appropriate volume of stock for a timely supply to the farmer-members.

Agricultural cooperatives should also make effort to supply living necessities such as staple food, edible oil, seasoning, soap, fuel etc. to members considering their needs.

When the members are assured of timely and adequate supply of inputs, they would develop better affiliation with their agricultural cooperative. They develop goodwill for their agricultural cooperative. They would also encourage other members of the community to join the agricultural cooperative. There would, therefore, be a substantial increase in the membership and business of agricultural cooperative. Increased membership enhances the business and capital of the agricultural cooperative.

CHAPTER-06-D

FARM GUIDANCE SERVICE OF AN AGRICULTURAL COOPERATIVE

It is extremely important for the farmer-members to be aware of relevant farming techniques. They need expert advice and guidance on the time, type and method of cultivation. They would need guidance on crop protection so that they reap a better harvest. Better harvest results into higher level of income from agriculture.

Farm guidance means the following: Analyzing soil condition and selection and preparation of better soil for cultivation; Type of cultivation; Assessing the marketability of agricultural produce; Quantity and quality of farm inputs requirements; Crop protection techniques; Methods of harvest; Storage of farm produce; Packaging and handling of produce. Such services are provided by the agricultural cooperative through its farm guidance services which are handled by farm guidance advisors.

Farm guidance advisors also impart education to the members on plantation techniques and type of cultivation to meet the timely and best market needs to earn a higher level of income.

Farm guidance services are generally provided by agricultural cooperatives and in some cases, by their federations in cooperation with agricultural extension technicians of the local government. Agricultural cooperative has, therefore, to organize “Bukai [crop/animal-wise groups of member-farmers] such as rice bukai, tomato bukai, strawberry bukai, poultry bukai and so on to carry out farmers’ meetings, field schools and demonstration events to provide information on quality agricultural production. Farm guidance services should have strong relationship with marketing and input supply business of agricultural cooperatives and are the method to strengthen agricultural cooperatives.

Such services are appreciated by the farming community. Such events, if organized regularly, will attract other members of the community to become the members of agricultural cooperatives. Farm guidance should become a regular service to be provided by agricultural cooperatives to their members.

CHAPTER-07

MEMBER PARTICIPATION IN AN AGRICULTURAL COOPERATIVE

According to the general practice, all members should participate in all possible meetings of the agricultural cooperative. Higher participation is a sure indication of a good health of a cooperative. It is the duty of agricultural cooperative leadership to encourage members to participate in all activities.

Participation means three things – one, participation in the organization [democratic] system of the agricultural cooperative, two, participation in business operations of the agricultural cooperative, and, three, participation in the capital of the agricultural cooperative.

Higher participation in organizational matters means greater participation in General Meetings. This would mean better discussions and good and generally acceptable decisions. It is more democratic to have a large number of members to participate in Members' General Meetings. Lesser number means placing the control of the agricultural cooperative in the hands of clever and vested interests. This way, the ownership moves away from the members into hands of others.

All members should be able to cast their votes and express their opinion in a fair and free manner. Participation in the organizational matters means better discussions, good and practical decisions, increased brotherhood, and credibility in the eyes of the community. It also depicts solidarity of members with their agricultural cooperative.

Participation is also needed in the business affairs of the agricultural cooperative. All members should transact their business with and through the cooperative. When the members take credit from their agricultural cooperative for agricultural production, it is required that they dispose of their produce through the cooperative and they purchase farm inputs from the cooperative. Higher level of business participation strengthens the economic base of the cooperative.

It appears to be unethical that members borrow from the agricultural cooperative but sell their produce to someone else, thereby ignoring the primary source of help [funding]. Agricultural cooperatives stand firm in the hours of need.

Participation is also needed in the capital matters of agricultural cooperatives. All members should purchase more shares from the cooperative and save more money in the cooperative. Money, a member borrows from the cooperative, is other members' money. If members save little money in the cooperative, little number of members can borrow money from the cooperative.

The member-cooperative relationship should not be one-way, it has to be multi-way – taking credit from the cooperative, it is expected that members dispose of their produce through the cooperative and purchase agricultural inputs from the cooperative. Furthermore, it is expected that members save money in the cooperative as other members can borrow money. In this process both will profit – cooperative will get commission from the transaction, and the members will be able to sell their produce at a reasonably higher price, purchase inputs at a lower price and borrow money at a lower interest rate.

High level of participation in organizational and business and capital matters enhance the status of the agricultural cooperative. Members of the community thus feel encouraged to join the cooperative, thus increasing its membership.

The secret of success of cooperative institutions is the liberal use of the cooperative by their members. Higher use results in higher earnings in money terms, and higher level of trust and confidence in the operations and business of agricultural cooperatives. Higher use by the members generates a high level of goodwill among the community and the business.

CHAPTER-08

TRANSPARENCY AND ACCOUNTABILITY IN AN AGRICULTURAL COOPERATIVE

All successful business entities throughout the world have succeeded because they had included the principles of transparency and accountability in their business operations. The same is relevant for agricultural cooperatives. The cooperative must, therefore, adopt clear and transparent methods in its social and economic relationships. Nothing should remain hidden from the eyes of the members. No member should act against the interests of their cooperative and its leadership and functionaries.

Some of the aspects of transparency and accountability are the following:

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- All decisions should be taken in a democratic and open environment;
- Members' suggestions and complaints should be addressed immediately;
- Meeting notice and Agenda Notes should be circulated among the members in advance;
- All members should be made aware of the provisions of the byelaws/constitution. All of them should be provided with a copy of the constitution;
- All facilities of the cooperative should be used for official purposes;
- All functionaries should be provided with their list of duties and responsibilities;
- An exhaustive Code of Conduct for all should be prepared and circulated.
- Proper receipts should be issued promptly for all payments made by the members and clients to the cooperative;
- Personal and institutional funds should be accounted separately;

-All check books, credit cards and passbooks should remain in the custody of members themselves;

-No duly-signed check book should be kept in the custody of the manager;

-All books of account should be kept up-to-date all the time;

-Proper statement of accounts should be prepared and presented at General Meeting;

-Audit should be completed in time and report presented to the General Meeting;

-All recruitments should be made in a proper manner and as per set procedures;

Any agricultural cooperative going along the principles of transparency and accountability and with due considerations to the Principles of Cooperation become efficient and respectable. Members of the community would, thus, like to get associated with such an organization.

CHAPTER-09

INCREASE IN MEMBERSHIP, SHARE CAPITAL AND GOVERNANCE IN AN AGRICULTURAL COOPERATIVE

In view of the clearly stated provisions of the bye-laws, identification of services of the agricultural cooperatives, members' expectations from the cooperative, recognizing the principles of transparency and accountability, it is emphasized that the increase in membership and share capital becomes inevitable and possible.

In order to enhance the membership and share capital, it is considered essential that there should be an intensive cooperative member education and propaganda highlighting the successes of cooperative enterprises. The purpose of member education is to explain the advantages of a large membership and a comfortable level of share capital to keep the business moving.

The following points might, therefore, be taken into view:

A. Increase in Membership

- Make members aware of the provisions of the bye-laws of the agricultural cooperative by holding periodic discussions on various key provisions;
- Members should have deep confidence and trust in the leadership and among themselves and for the betterment of their own cooperative;
- Make members aware of the Cooperative Principles to take the positive advantage of agricultural cooperatives, rather than be misguided by other forms of business enterprises;
- Explain to the members and general public about the definition of a cooperative and highlight the importance of doing business with the agricultural cooperative;
- Emphasize on the members to repay their loans in full and in time and with interest. Such a practice strengthens the economic base of the cooperative as well as gives opportunity to other members to take loans;

- Emphasize on the members that if they borrow from the cooperative for agricultural production, it is necessary that they sell their produce through the cooperative;
- Implement strictly the principles of accountability and transparency to earn the confidence of members;
- Receipts must be issued promptly for all payments made to the cooperative;
- Organize member education and employees' training programs regularly to discuss the plans of their agricultural cooperatives and invite suggestions from the members;
- An efficiently-run agricultural cooperative encourages members of the community to become members, thus increasing the membership and income;
- Keep on reminding members the vision, mission, and objects of the agricultural cooperatives – These are specifically written in the byelaws. Members should be aware of the provisions of the byelaws;
- Use member education on a regular basis with the purpose of explaining the provisions of byelaws, significance of democratic management and participation in all cooperative affairs;
- Use persuasion to join the cooperative by explaining the advantages of becoming members and the benefits the members receive from the collective efforts of the agricultural cooperative;
- Enhance motivation and skills among the members and employees;
- Show benefits to the members/general public through publicity campaigns and personal meetings;
- Show success cases to the members and general public during public meetings and festive occasions;
- Write simple success stories which are easy to understand and to develop enthusiasm among the members of the community;
- Use known social and religious personalities, government officials to propagate the true functions of agricultural cooperatives and stress on the proper use of loans;

-Agricultural cooperative is the only organization which comes to help the members in hard times; Agricultural cooperative should propagate this fact to members;

-Highlight the implications of cooperative failures. Such acts provide good information and advice to members;

-Making use of self-help group, farmers groups, irrigation groups, planters' groups;

-Organize community meetings as frequently as possible and at places which are easily accessible to members, men and women;

-Implement means of good governance through active member participation and respect to the byelaws and the Cooperative Principles;

-Expand member participation in democratic structure [e.g., meetings] and business operations;

-Expand employees' participation from the point of view of giving quick and efficient service to the members and to activate good interaction among the members, Board members and the employees;

-Agricultural cooperatives generate more goodwill if they purchase all products of the members [just as is done by milk cooperatives];

-Cooperative Principle No. 1 [Voluntary and Open Membership] and No. 5 [Education, Training and Information are the key principles to enhance membership. No. 3 [Member Economic Participation] is aimed at strengthening the funds of a cooperative, especially through share capital and capital accumulation. These need to be explained clearly to the members;

-Keeping in view of the organizational structure and management of agricultural cooperatives, the needs of the members are met from their own sources. To understand the organization and management of agricultural cooperatives, a look at the steps to organize an agricultural cooperative would be useful.

These steps depict clearly that cooperatives are different from private enterprises and are member-friendly. These are legal entities and provide adequate protection to the members and their assets. If these

steps are clearly understood and explained to the members, there can be increase in membership as well as in share capital.

A higher level of participation in management and organizational structures is crucial to create goodwill for the cooperative among the members. When the services offered by the cooperative are efficient, timely and need-based many people will come to join the cooperative and participate in business development. They would be happy to purchase more shares.

Unfortunately, many agricultural cooperatives in Cambodia have usually promised high share dividend [20-30% per share value per year] to farmers in order to increase membership and most profit of those agricultural cooperatives has been given to members as share dividend. The officials of agricultural cooperatives are generally misunderstanding about the agricultural cooperative like as the organization of which principal service is to pay high share dividend to members. This is because of that promoters of agricultural cooperatives in Cambodia including government officers have not fully understood the Cooperative Principles and basic character of the cooperative. They have encouraged agricultural cooperatives to pay high share dividend to increase membership and number of agricultural cooperatives.

Agricultural cooperatives are tied with their members by offering and utilization of businesses, not tied with by paying and receiving high share dividend. Officials of agricultural cooperatives and the promoters in Cambodia must fully understand the Cooperative Principles, especially No. 3 “Members usually receive limited [limitation of share dividend]”, and make every effort to increase membership by providing necessary businesses for members, not by paying high share dividend.

Agricultural cooperatives in Cambodia should also pay more Patronage Refund to members from the profit in accordance with the volume of business utilization by each member instead of paying share dividend.

B. Increase in Share Capital

It should be borne in mind that everyone, including the Board members, promoters of the cooperative, and even the government officials who help promote the agricultural cooperative, should encourage increase of share capital and savings in its capital. The capital is the treasure, and it should not be left loose to be distributed among the members indiscriminately. A lot of sound judgment needs to be made to make a judicious use of the capital. The accumulated capital is not for lending wholesale.

Cooperative Principle No. 03 states: 'Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefitting members in proportion to their transactions with the cooperative; and, supporting other activities approved by the membership.' In the light of this statement, all incoming funds [share capital, savings and others] need to be preserved and used in a proper way, not to be loaned out fully leaving nothing behind in the treasure of the agricultural cooperative.

It should also be noted that rich farmer-members can easily harness facilities and infrastructure by using their own funds, but the average poor farmer-members rely heavily on the funds provided by the agricultural cooperative. Agricultural cooperative can provide funds only if there is something left in its reserves or savings. Therefore, it is of utmost importance that the advice given by the government officers, promoters and Board members to loan out the entire savings should be ignored;

The very purpose of setting up of an agricultural cooperative is to provide funds and other support to the needed and poor members. Its purpose is also to insulate members from the exploitation suffered by them at the hands of moneylenders.

-Share capital is the basic fund which is used to operate basic business activities of the cooperative.

-Cooperative can create voluntary funds, if needed, besides the authorized funds;

-Cash is limited in the initial stages. This needs to be controlled for an effective use. It can be done by controlling expenses, reducing phone use, car use, courtesies, festivities, celebrations;

-Sense of ownership by purchasing more shares. It is a privilege to be a major shareholder as the member feels that the member is the promoter of higher business of the cooperative;

-Cooperative Principle No. 3 [Member economic participation] is aimed at strengthening the funds of a cooperative, especially through share capital;

-Agricultural cooperatives can expand their business operations if they hold some funds in their capital. If all the share capital and savings are loaned out, then there is no scope left for promoting the business further;

-It is the duty of the government officers, promoters of the agricultural cooperative and the Board members to encourage savings in the organization. Extreme care should be exercised in loaning out funds from the accumulated capital. It is a bad practice to loan out the entire capital;

-Cooperative Principle No. 3 also emphasizes that there is limited interest on the share capital contributed by the members [limitation of share dividend]. Cooperative shares are not tradable in the market. These are given dividend in accordance with the business transacted by the members with their cooperative. This trend controls the practice of speculation in cooperative business operations. Even otherwise, as per the practice, newly established agricultural cooperatives need not declare a high level of share dividend to the members.

-Agricultural cooperatives offer better protection to depositors and offer more services. They also give a reasonable rate of interest on deposits;

-It needs a lot of planning, motivation, persuasion and hard work to harness funds for the agricultural cooperative;

-Offer incentives, discounts, and gifts to increase the business. Such offers are usually linked with significant events e.g., festivals, special general meetings, national celebrations and/or local events;

-Agricultural cooperative is the only organization which comes to help the members in hard times;

-Increase the value of shares, if needed. Increased value of shares means a higher amount of loan be given to members. Members can make amendments to the bye-laws to increase the share capital;

-Promotion of patronage also generates good feelings among the community thereby increasing the members. In order to conserve own resources and make more funds available for lending and business operations, it is advisable to minimize operational costs. Use more efficient equipment to increase business and services;

-Increase capital from surpluses by reserve carried forward and voluntary funds.

C. Governance in Agricultural Cooperatives

It is a fact that all developmental activities of an agricultural cooperative revolve around the members and their interest in their own cooperative. At the same time it is also important that members' needs and aspirations are adequately met by their cooperative – this is possible only if there are proper and truly followed principles of governance and management in member handling and decision-making. In this context the following points need to be taken into consideration:

- All decisions should be based on members' wishes;
- All decisions are democratically taken;
- All members be given a place of recognition and dignity in the management and affairs of agricultural cooperative;
- There should be an open-door policy between the Board of Directors and the General Manager, and between the management and the general membership;
- All members should be made aware of the implications of various provisions of the bye-laws e.g., meetings, rights and duties etc.
- All payments received and made should be fairly and effectively recorded and nothing should remain hidden from the members;
- Implement means of good governance through active member participation and respect to the bye-laws and Cooperative Principles;
- All members should be exposed to member education on a regular basis, and all employees should be exposed to professional training;
- The principles of 'transparency' and 'accountability' should be effectively followed;
- The Board of Directors should remain always accessible to the members;

-It should be the duty and total endeavor of the Board to encourage the members to bring in new and additional members and also to take part in the finances of the agricultural cooperative. Good, objective and honest governance are the key to enhance membership and finances in an agricultural cooperative;

-There is a strong need for the education and training of government officials and promoters on the philosophy and practices of agricultural cooperatives in relation to the Cooperative Principles. They should understand clearly the difference between the cooperative and private enterprises.

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