THE ROLE OF AGRICULTURAL CO-OPERATIVES IN BURMA

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DECLARATION

Except where otherwise indicated, this sub-thesis is my own work.

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ABSTRACT

Burma is a country with a long history of rural co-operatives and with new trends in the co-operative movement. The trend has recently been to move from lower to higher stages of cooperation - from credit provision to marketing, and from marketing to farming activities. The latest development is in the field of co-operative farming which involves joint efforts in cultivation of land leading to pooling of cultivation rights and to group farming.

The major aim of this study is to see how agricultural co-operatives have contributed to rural development in Burma, to examine the causes of failure and success of the agricultural co-operative movement in the past, to review the present status of the movement, and to highlight ways and means that will encourage success in the future.

The co-operative movement was started in Burma in 1905, under British rule, to free the small cultivator from dependence on private money-lenders. Much was expected of the movement, but it was a failure and this seriously damaged the image of co-operatives.

After Burma regained its independence the Five Year Co-operative Plan was announced and agricultural co-operatives were formed to service its members with finance, to supply consumer goods and agricultural inputs, to sell produce and to promote thrift. Serious difficulties, including reliance on government loans, inefficiency compared to private traders and inadequate leadership, meant that most society did not serve their members well.

When the Revolutionary Council came to power, bogus societies were liquidated and efforts were made to form new socialist co-operatives as a mode of socialist ownership of means of production. The co-operative was regarded as the only socially-acceptable form of socializing small-scale producers, but most of the peasants were unwilling to pool their land. The Ministry of Co-operatives adopted the Pilot Project
for Co-operative Farming which emphasised establishing co-operative farms on cultivable waste land. The Pilot Project aimed to attract farmers through demonstration of the benefits of co-operative farming. Most co-operative farms, however, appear to have failed to take full advantage of their large scale and have experienced management disadvantages. The majority of land remains under individual private ownership and management and the small-holders are still economically dominant.

Co-operative farming is still in its infancy and has not taken firm root. Only state initiative and local leadership can give momentum to the movement. It has to rely on good management and new technology to achieve higher productivity and output in order to attract more farmers.
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CHAPTER 1
INTRODUCTION

Burma has a total area of 671,000 square kilometers (261,610 square miles). About two thirds of the country is in the Tropical Zone and one third in the Temperate Zone. The major divisions are: the Lower Delta, where rainfall averages about 100 inches a year; Central Burma, the Dry Zone, where rainfall is something less than 40 inches a year; Northern Burma, where rainfall is similar to that in the Lower Delta; the Shan Plateau in the east central area, with rainfall of about 60 inches a year; and the Arakan and Tenassarim coastal strips in the southwest and extreme southeast respectively, where the average annual rainfall reaches 200 inches (Walinski 1962, pp.3-4). The Irrawaddy River runs from north to south the entire length of the country and enters the sea through a vast delta region. With this geographical background, Burma is predominantly an agricultural country and agriculture has traditionally been the main occupation of its people. The complex social system of the Burma village dates, by tradition, from the time of Anawrata (AD 1044-1077).

1.1 Village Life under the Burmese Kings

There is no doubt about the existence of a semi-feudal society in Burma under the Burmese Kings. But unlike the feudal society which existed in Europe or the caste system in India, the one in Burma was elastic in nature (Wai 1961, p.1). The system was based on the various 'regiments' or elements of the royal army. Some villages were known as cavalry villages, while others were musketeer villages and so on, and everyone was supposed to belong to one such regiment. In any particular village most of the people would usually belong to the same
regiment, but there might also be people from other regiments living in
the same village. Difference of classes did not prevent or restrict
social relations and village life. Both men and women could pass from
one class to another and the Burmese stratification of society did not
result in the creation of a caste system (Andrus 1947, pp.11-13;

Under the Burmese Kings, there was a vast amount of cultivable
waste lands, and any person was allowed to clear and cultivate any land
to which no occupant laid claim. Land tax had to be paid to the king,
and was one-tenth of the produce, the payment being in kind. Thus
anyone could get a clear title to that part of waste land he had
cleared. Such land, held by the right of having been the first to clear
it, was known as 'da-ma-u-gya' (right by first clearance). The Burmese
agriculturalists were peasant proprietors. There was no distinction
between landlord, cultivator, and labourer because the same man was all
three at the same time, and there was absence of landlord-tenant
relations throughout the country. A person established his right to
occupy a particular piece of land by cultivating it; if he later
abandoned the land, it reverted to the common land held by the village
as a whole. If another cultivator chose to take it up, he could do so
with or without the permission of its original occupant, depending on
local custom (Adas 1974, p.28). Also, there were no guilds connected
with trade as in Europe (Wai 1961, p.2).

Under the Burmese Kings, there was no certain market for any
surplus produce, and export of rice was banned by the king. The policy
of the Burmese Kings was very akin to the mercantilist philosophy (Wai
1961, p.3). The cultivators practised subsistence farming and depended
largely on mutual assistance. The basic unit of production was the
family. The farmer rarely hired labour. If extra labour was required it
was provided by neighbours, and co-operation was the key-note of
agriculture in those days (Furnivall 1957, pp.29-30). Social life was
governed by custom, which put social welfare above individual
acquisitiveness, and it protected especially the right of the
cultivator to the profits of his labour, and the possession of his land
(Furnivall 1957, p.m). The traditional Burmese economic system did not
provide for a type of private ownership of land that made it a freely
exchangeable commodity, subject to mortgage and foreclosure proceedings (Andrus 1947, p.65).

The main aim of the cultivators was self-sufficiency and there was not a great need for credit. Agricultural indebtedness was unknown to the cultivators and there was no mortgaging of land. In fact, they needed little money since each household supplied its own requirements. In almost every house there was a loom for weaving and much of the cloth was spun at home. Only for their other household wants, did they depend on the market. The craftsmen of Burma catered to a considerable area, not to one village only. One village would specialize in pottery, for instance, more or less monopolising the market for several villages around. Exchange took place through a system of 'five-day-bazaars', and exchanges were mostly by barter. Consumer goods imported into Burma were limited in quantity and quality and subject to heavy duty.

Thus the villagers' options as consumers were very limited. They were content with what they had, though their living standards were low. Andrus remarks:

The presence of rather extensive irrigation works, numerous village handicrafts, and a complicated social life, with its emphasis on co-operation, indicate that it is a mistake to regard the pre-British Burmese economy as primitive and uncivilized. In many respects it may be compared with the medieval period in Europe (1947, p.11).

In summary, under the Burmese Kings, the economy was not developed, resources were underutilized, and cultivation extended very slowly to meet the needs of a slowly expanding population. Agriculturalists were peasant proprietors and enjoyed a low but adequate standard of living.

1.2 Village Life under British Rule

The British annexed Burma in three stages: some coastal regions in 1824-1826, the whole of the Lower Delta in 1852, and finally the entire country in 1885. Following the British conquest, the political and economic institutions of Burma were transformed. The whole country was rapidly drawn into a capitalistic, commercially-oriented global economy. Political and economic changes led to the emergence of a new
society which was radically different from the old one. In fact, after Lower Burma was annexed, the British made efforts to transform domestic agriculture into commercial agriculture.

The British were well aware of Lower Burma's potential as a rice-growing area. But they found the area sparsely populated and undeveloped. The Irrawaddy Delta was covered with swamp and jungle. Therefore the British looked to two sources of labour supply: Upper Burma and India. They lifted the ban on rice exports and encouraged the expansion of cultivation. Burmese cultivators responded to the incentives and migrants from Upper Burma settled upon the land and cleared the jungle. Development of commercial agriculture encouraged cultivators to take up more land than they could cultivate with their own family. There arose a demand for hired labour. Indian immigrants came on a seasonal basis to plant, reap, and mill the crop. Among the Indian immigrants Chettyars, unlike the others, played a different role in commercial rice cultivation of Burma, as money-lenders. They were a caste of hereditary money-lenders from Madras.

By and large, the capital requirements to start a successful farm were far beyond the means of the average Burmese migrants. They needed more money than before. The British government established facilities to provide credit for agriculturalists. Under the Land Improvement Loans Act of 1883, and the Agricultural Loans Act of 1884, funds were made available to cultivators at an interest rate of 5 percent per year. Nevertheless, the cultivators could obtain only limited amounts of capital usually after considerable inconvenience and delay. They had to turn to the Chettyars. Burmese money-lenders developed at a later stage, but never accumulated as much capital as the Chettyars. Since the beginning of commercial agriculture the Chettyars played a dominant role in the provision of credit. In the 1880s agents of Chettyar firms began to fan out over the Delta from Rangoon and other urban centers (Adas 1974, p.67).

The typical Burmese farmer had no knowledge of the intricacies of finance, or of the Western judicial system. He knew only that he needed money for cultivation and did not worry about the precise legal terms in the document which he must sign to get money. The interest rates on land mortgages were normally 15 to 36 percent per annum (Andrus 1947, p.76) and the cultivators were led into chronic indebtedness.
On the other hand, because of their greater involvement in paddy production for the market, cultivators had become dependent upon others for goods and services. They had to purchase firewood, bamboo, and thatch as neighbouring forests were depleted, or claimed by the government or private owners. European merchants purchased most of the surplus rice and imported consumer goods as incentives for Burmese cultivators to produce large surpluses. There was a spreading of foreign consumer goods among Burmese agriculturalists. European and Indian textiles and cheap consumer items like canned milk, sardines, soap, and European glassware or crockery were found in almost all the villages. Andrus points out that foodstuffs and common household necessities were acquired ordinarily on credit from Indian and Chinese retailers (1947, p.198). Under this system, six baskets of paddy had to be paid at harvest time for one basket of rice purchased at the shop. Thus the actual interest rate was several hundred percent per annum. Still another disadvantage of this type of shop and credit system was the fact that prices were higher than elsewhere, as the shopkeeper had a monopoly position in the supply of goods to villagers who were unable to pay cash (Andrus 1947, p.199; Adas 1974, p.65).

Thus the agriculturalists became more and more deeply indebted and this chronic indebtedness eventually led to the alienation of the debtor's land, most land passing into the hands of non-agriculturalists. The great majority of non-agriculturalist landlords were money-lenders, paddy brokers, and village shopkeepers. In 1937 50 percent of agricultural lands in thirteen principal rice-growing districts of Lower Burma was occupied by non-agriculturalists. In Upper Burma, 14 percent of agricultural land was occupied by non-agriculturalists. For Burma as a whole, the figure stood at 33.6 percent, of which 7.4 percent consisted of resident non-agriculturalists and the remaining 26.2 percent were absentee landlords (Myint 1971, pp.82-84; Andrus 1947, pp.69-70). In addition to the land owned by non-agriculturalists, a large percentage of land still held in farmers' names was so heavily mortgaged that their occupants were reduced to the status of tenants. The only difference was that interest, instead of rent, was being paid to the non-agriculturists (Furnivall 1957, p.62; Myint 1971, p.82). Hence, Andrus comments: 'It
is doubtful if more than 15 percent of land of Lower Burma was, by 1941, owned by genuine agriculturalists, and unmortgaged (1947, p.81)'.

In the colonial period, Burmese industry and international trade was monopolised by Europeans, domestic and foreign commerce by Indians and Chinese, and the native Burmese confined to agriculture. They barely participated in the economic progress of the country and their conditions became worse than before. Peasant proprietorship ceased to be typical of agriculture. Although the policy of the British government was to create a class of peasant proprietors, it failed (Wai 1961, p.60), and the change from domestic to commercial agriculture generated new relations between landowners, tenants and labourers.

Although numerous large estates grew up there was very little large-scale agriculture in Burma; the typical unit of cultivation was fifteen to thirty acres. Thus the large landlord dealt with a large number of tenants, each of whom worked independently of the others. On the other hand, the population dependent on agriculture was increasing year after year. Even though 4,879,490 people, who constituted 60.2 percent of the total population, were dependent on agriculture in 1891, the number of such people amounted to 9,158,932 in 1931, accounting for 70 percent of total population (Wai 1961, p.96). As the extension of cultivated acreage slowed down, supply of labour rose at a faster rate than the demand, and the percentage of the total output from rented lands demanded by landlords rose sharply. By the mid-1920s rent averaged as high as 40 or 50 percent of the gross output (Adas 1974, p.148). Rent rates once determined by custom were fixed by contract before the ploughing season. Moreover, whether written or verbal, contracts were almost always for only one year, and landlords annually auctioned the cultivation rights of their land to the highest bidder. As a consequence, 50 percent of tenants in Lower Burma were changing holdings each year in the closing decade of the colonial era (Myint 1971, p.85). Tenancy was insecure and inter-village mobility was high.

In most areas of the delta, social and economic distinctions between tenants and landless labourers became increasingly blurred. The numbers of landless labourers were increased by cultivator-owners who lost their land and by tenants who were outbid for the holdings they rented. Greater competition had the same adverse effects on the
living standard and working conditions of landless labourers as it had on those of tenants. Labourers' wages declined continuously, and by the 1920s the combined efforts and the salaries of all adult members of a labourer's household were often not sufficient to meet rising living costs (Adas 1974, p.153). Some migrated to urban areas to find employment, while others turned to crime, and the number of Burmese decoits and petty thieves increased as the agrarian crisis grew more severe.

The village, traditionally a tightly-knit unit integrated by social customs, became little more than an administrative unit. Unemployed agriculturalists wandered about the area in search of part-time employment or abandoned holdings to cultivate. The constant migration from village to village broke down the Burmese social system, economic forces dissolved the villages into individuals, and co-operation among the agriculturists became weakened. This growing class of landless, homeless cultivators was one of the main sources of increases in robbery and other crimes (Andrus 1947, p.71; Furnivall 1957, p.81; Adas 1974, p.192). The Saya San Rebellion, which broke out at the end of 1930, was mainly based on agrarian discontent over debt and tax burdens. Thus, under British rule, there had been 'economic progress' in Burma, and Burma became a rice exporting country, but rural people had been neglected and left behind. They were eking out an insecure and inadequate living in a country which was the world's largest rice exporter. Agricultural indebtedness, land alienation, and tenancy were serious agrarian problems to solve when Burma regained its independence. And, naturally, co-operative organizations were looked upon as one kind of solution to these problems.
Nowadays all developing countries are making efforts to achieve sustained economic growth. Most of their people are still living in rural areas and remain poor. Although there have been rapid rates of growth of GNP in many developing countries, a very large proportion of their people have not shared in the benefits. Rapid growth in GNP has often been accompanied by a more unequal income distribution and increasing relative and, in some cases, absolute impoverishment of sections of the community (Stewart and Streeten 1980, p.390). Growth is not reaching the poor and the poor are not contributing to growth. Therefore, rural development necessarily becomes a historical mission of the developing countries. International institutions such as the World Bank, the FAO, and the ILO of the United Nations have also put greater emphasis on the need for rural development.

2.1 The Meaning and the Objectives of Rural Development

Rural development, as defined by the World Bank, is a strategy designed to improve the economic and social life of a specific group of people - the rural poor. It involves extending the benefits of development to the poorest among those who seek a livelihood in the rural areas. The group includes small-scale farmers, tenants, and the landless (World Bank 1975, p.3). Barlow and Richter regard rural development 'as that wide complex of activities associated with not only raising total productivity and profits, but also with bringing the benefits of these increases to a wide section of the population, 70 percent or more of whom usually live in country areas and are very poor' (Barlow and Richter 1983, p.1). According to Lele, 'rural
development is defined as improving living standards of the mass of the low income population residing in rural areas and making the process of their development self-sustaining' (Lele 1976, p.257).

The phrase 'integrated rural development' is also used by some authors to bring out wider meanings and objectives. According to Lea and Chaudhri, this phrase was coined for those situations where planning objectives have some or all of the following interrelated goals in common:

1. To improve the living standards or 'well-being' of the mass of the people by ensuring that they have security and that their basic needs such as food, shelter, clothing, and employment are met.

2. To make rural areas more productive and less vulnerable to natural hazards, poverty and exploitation and to give them a mutually beneficial relationship with other parts of the regional national and international economy.

3. To ensure that any development is self-sustaining and involves the mass of the people (this involves among other things encouraging self-reliance and public participation in planning).

4. To ensure as much local autonomy and as little disruption to traditional custom as possible. The former usually means promoting administrative decentralization and political self-government (Lea and Chaudhri 1983, pp.12-13).

These objectives are concerned with many different and interrelated aspects of rural life; thus rural development is no longer solely concerned with agricultural matters. Various international agencies and institutions dealing with development emphasise some or all of the following as important elements of rural development:

1. Increased output and productivity of the rural sector

2. Increased employment in the rural sector

3. Reduced income inequality in the rural sector

2.2 Rural Development Strategies

However, there are different approaches to development objectives. Stewart and Streeten (1980, pp.390-411) discuss four strategies for development. These are: the high growth and trickle down strategy; the radical redistribution strategy; the incremental redistribution strategy; and the redistribution through growth strategy.

The strategy of high growth and trickle down is the strategy that was generally followed in the 1950s and 1960s and aims at optimization of GNP growth. The strategy was based on the assumption that without any active intervention of government, high growth of GNP would automatically raise the levels of living of the poor through a trickle-down mechanism. But, in many countries, poverty and unemployment have been increasing with growing GNP. Stewart and Streeten argue that most governments’ policies continue to be predominantly protective of the haves and hostile to the have-nots (1980, p.398). Experience shows that this strategy aggravates rather than eliminates inequality and poverty. The trickle down policy almost certainly failed because those who benefited from high growth did not wish to divert their gains to those who did not (Stewart and Streeten 1980, p.402).

The radical redistribution strategy is a policy of redistributing existing assets. It includes policies of land reform and wider spread of ownership or nationalization of industrial property. It also includes radical reforms of institutions to give to the poor greater access to educational and health services, to credit and to technology. Redistribution of incomes automatically follows redistribution of assets.

Incremental redistribution involves taxing the better-off to redistribute to the worse-off. This has been the policy of democratic socialist regimes for a long time. It has rarely had marked effects on the distribution of income because redistribution is marginal and if it threatens to become non-marginal it is resisted. Believing that resistance stems from people’s dislike of having their absolute income levels cut, the latest version of incremental redistribution is redistribution with growth, aiming at raising the growth rate of the incomes of the poor. This policy involves taking the extra incomes that
would accrue to the better-off and redistributing it to the poor. The redistribution would take the form of providing investment resources to the poor. But Stewart and Streeten (1980, p.402) argue that the bias of technological advance has made it almost entirely impossible. Besides, if redistribution is to occur from extra incomes, the extent of the possible redistribution will be limited by the growth in incomes. This policy may also be as unrealistic in practice as the trickle-down policy.

According to Stewart and Streeten (1980, p.403) the different strategies to eradicate poverty and reduce inequalities can also be broadly classified into three schools of thought. They are the Price Mechanists, the Radicals, and the Technologists. We can add another school, the Reformists (Griffin 1974, pp.199-201; Lea and Chaudhri 1984, pp.18-25).

The Price Mechanists argue that low production, low productivity, inequality and unemployment can be eliminated by setting the correct prices, which serve both as signals and as incentives. They heavily emphasize price policy as the basic element of a strategy of rural development. The Radicals believe that what matters is the redistribution of assets, power, and access to income-earning opportunities. Thus they place emphasis on structural and institutional reforms as the basis for rural development. The Technologists claim that neither prices and incentives nor 'structural changes' can solve a problem where appropriate technical solutions do not exist. They heavily emphasize technology in rural development.

According to Stewart and Streeten (1980, pp.403-408), the Price Mechanists or the Radicals or the Technologists by themselves may move society away from the desired goal. They assert that 'only a three-pronged attack combining, signals and incentives, institutional reforms directed at the redistribution of assets (including access to education) and technical and institutional innovation, promises results' (Stewart and Streeten 1980. p.407). The Reformists attempt to combine the, presumably, ideal features of all the three types. A reformist strategy has to emphasize a careful orchestration of all elements, but redistributive land reform would be a precondition for success of such a strategy (Lea and Chaudhri 1983, p.20). However
reformist governments tend to vacillate in their choice of policies, and we frequently encounter inconsistencies between what a government proclaims and what it actually does (Griffin 1974, p.201). Quite often the reforms are partial, fragmented and incomplete. Although the reformist governments seem to provide a three-pronged attack, in practice the results do not follow. In practice, it may be difficult to combine three strategies. At certain stages of development, it may be necessary to place more emphasis on a particular strategy and to change it as conditions change. In fact, most rural development strategies are in a process of continual change.

It would also be possible to classify strategies on a different basis, such as uni-modal and bi-modal. Nevertheless, we choose not to do so because we wish to trace the intended beneficiaries and land tenure institutions of agrarian policies. The radical strategy brings benefits to small peasants and landless labourers through collectives, communes, and state farms. The Reformist strategy tends to benefit middle peasants and progressive farmers through co-operatives and family farms. Technocratic and free market determined strategies tend to benefit land-owning elites and large farmers through large estates and owner-operated large farms respectively.

With respect to rural development strategy, Barraclough comments:

If we are really serious about wanting to encourage development policies that benefit the low-income rural classes, a great deal more attention must be paid to analysis of social structures and political processes....This problem is not going to be solved merely by greater investments in technological improvements of the 'green revolution' or by more abundant credit and technical assistance. Rural development for the low-income majorities requires fundamental and often revolutionary reforms in social institutions (1976, p.104).

Griffin also points out, as regards the promise of the green revolution, that 'unless governments pursue a radical or at least reformist strategy, the "green revolution" tends to increase economic inequality and this, in turn, may aggravate social conflicts which already exist' (1974, pp.209-210). In criticizing the Technologists, Stewart and Streeten (1980, p.407) argue that 'as the "green revolution" has shown, if the distribution of assets like water, fertilizers and credit is concentrated, it is the larger farmers with
controlled water supply who benefit, in some cases at the expense of small farmers and landless labourers'. In the Philippines, which follows the technocratic strategy, the spread of the new high-yielding varieties like IR-8 has been accompanied by the emergence of a new class of commercial rice farmers who had been landlords, a change which has often involved the ejection of tenants working on the lands concerned (Ishikawa 1970, pp.25-62).

If we accept the radical and reformist strategies then co-operatives and collectives are required. The technocratic model accepts co-operatives only as marketing societies. But co-operatives are more often formed for political, social and economic reasons, and many aspects of rural life can be promoted through co-operatives since they are socioeconomic organizations. Co-operative societies are playing an increasingly important role in the economic life of many countries.

2.3 Co-operative Organizations

Among the various organizations that can contribute to rural development, co-operatives have certain distinguishing characteristics. The word 'co-operation' in general use means collaborating or working together. But an informal group of farmers collaborating to harvest their crops is not a co-operative, although it may be the seed of one. Some examples of common working by farmers are found in every country, but usually these come under the heading of neighbourly help, rather than formal co-operation. However, it is difficult to find a universal definition of a co-operative society. The definition of a co-operative society and the principles that should govern its organization and operation have always been, and still are, the subject of heated debates (Helm 1968, p.3). Perhaps the best attempt to define a co-operative was made by the ILO:

A Co-operative is an association of persons, usually of limited means, who have voluntarily joined together to achieve a common economic end through the formation of a democratically-controlled business organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking (Youngjohns 1976, p.233).
In short, co-operatives differ from other types of voluntary associations in that they are business organizations. They differ from private enterprises in their forms of ownership, control and in the manner of distributing profits. The ILO held that the establishment and growth of co-operatives should be regarded as one of the important instruments for economic, social and cultural, as well as human advancement in developing countries (Chinchankar and Namjoshi 1977, p.11). In fact, co-operation is not an end in itself but a means to certain goals.

Agricultural co-operatives are voluntary organizations serving the purpose of promoting the economic interests of the members by mutual help and common enterprise. The management is based on democratic control, and the principles of self-help, self-administration and self-responsibility, as well as the equal rights of members, are practised. Opinions as to what the goal should be and how it should be achieved are different in different countries. There are three main schools of thought in this respect: the co-operative enterprise or the co-operative yardstick school; the co-operative commonwealth school; and the socialist co-operative school (Helm 1968, pp.3-5).

Since there are different schools of thought there is some controversy as to which form of agricultural co-operation is suitable for small holders. The primary objective of the co-operative enterprise school is 'the advancement of the members' economic interests, and protecting and maintaining the economic independence of the small entrepreneur and farmers by balancing economic weakness through pooling of resources, and thus achieving economies of scale' (Helm 1968, p.4). This school sees as its main aim the supporting of the individual efforts as far as possible through a variety of services. The co-operative commonwealth school of thought is not satisfied with improving the members' economic position within the existing economic system. This school wants, 'as a long term objective, to eliminate the competitive, capitalist system and replace it by an economic system based on mutual co-operation' (Helm 1968, p.4). While this school of thought wants a human society based on cooperation as their ultimate aim, the socialist school of thought accepts co-operatives as a stepping-stone to socialist society. The socialist
co-operative school is the most recent school of thought. According to this school, co-operatives can be an important step in socialist progress. In socialist countries the co-operative movement is a means of socializing small-scale production and services (Lange 1970, pp.443-456). This school aims at collectivizing agriculture.

We can broadly distinguish between two main types of agricultural co-operatives. The rural co-operatives of the usual type may be defined as classical service co-operatives, providing economic services to their members in such fields as credit, supply, marketing and processing. The service co-operative may work as a single or multi-purpose society. These service co-operatives usually do not enter the field of agricultural production, and are confined to the external processes of farm enterprises. The second type of co-operative includes those with activities directly in the sphere of agricultural production; these are known as agricultural production co-operatives. Production co-operatives carry out the processes of farming and animal husbandry in common.

A farmer joining a production co-operative must usually give up his independence as the holder of a farm and prepare to change entirely his manner of work. It would be, therefore, wrong to assume that gradual intensification of co-operatives alone would automatically result in the transition from service co-operatives to production co-operatives. Smith (1961, p.42) and Galeski (1977, p.28) point out that spontaneous transformation of simple forms of co-operation into co-operative farms has never been observed. Even though service co-operatives do not transform automatically into co-operative farms, Schiller (1969, p.6) states that in recent times some classical service co-operatives have been taking up functions directly in the sphere of production. Galeski (1977, pp.32-33) also points to this trend. It is an intermediary form between the agricultural production co-operative and the rural service co-operative. In such societies, co-operative activity in farming and husbandry is - unlike the production co-operative - combined with the individual use of land. Member-farms are maintained in those societies, whereas member-farms either do not exist from the beginning or disappear by amalgamation into a bigger farming unit in the production co-operative. However, this type of
farming can be described as a variation of co-operative farming in its comprehensive sense.

2.4 Services Provided by Co-operatives

Agricultural co-operatives can be classified according to their main functions. However, the contribution of co-operatives to rural development can be viewed either through the services they provide or through their direct activities in agricultural production. We shall first view different services provided by co-operatives.

2.4.1 Co-operative credit

The provision of credit in agriculture is one of the oldest known forms of co-operation. Of all the services which voluntary co-operative associations have undertaken for their farmer members, that of obtaining and administering credit is, in most countries, the one that they have carried out best (United Nations 1954, p.37). In many countries, the absence of co-operative credit would leave farmers at the mercy of local money-lenders. Farmers can also help one another by mobilising their savings. But in many of the developing countries of Asia, the proportion of overall credit needs of the farmers provided through co-operatives is often less than 15 percent (Singh 1966, p.44).

2.4.2 Co-operative marketing

One of the most effective ways of promoting rural development is through the reorganization of rural produce markets. By and large, most marketing activities have arisen in response to low prices for farm products, wide marketing margins, excessive transportation costs, and in general, a lack of farmers' bargaining power. But the experiences of many countries illustrate how difficult it is to achieve sound co-operative marketing societies while farmers remain indebted to local merchant money-lenders.

2.4.3 Co-operative purchasing and supplying goods and services

With the development of commercialization in agriculture farmers become increasingly dependent upon outside supplies. Substantial reductions in the prices charged to farmers and their families for the goods and services they buy are important.
If charges for fertilizers, improved tools, machinery and other factors of production remain high, the full effects of other policies favourable to increasing farm production and rural prosperity can not be achieved. Nor is the greatest possible prosperity achieved if consumer goods and services are not efficiently distributed (United Nations 1954, p.52).

In some developing countries, governments have relied heavily on the co-operative movement to ensure fair distribution of scarce goods and services.

2.4.4 Technical knowledge

Agricultural production largely depends on technical knowledge, and it is important to disseminate this knowledge among the farmers. Agricultural co-operatives are one of the means through which technical knowledge can be disseminated and from which problems for research can arise. Many co-operatives have advanced the adoption of new technical knowledge, but it is not customary for co-operatives in most developing countries to employ extension workers.

2.4.5 Health and education

Co-operative societies can contribute to rural health in several ways. Co-operatives can be formed to improve water supplies, sanitation and general hygiene of villages, and some societies also provide first-aid centres and dispensaries. In addition, many co-operatives have provided educational assistance to the children of members and have furthered progress in adult education.

2.5 Co-operative Agricultural Production

In most developing countries the agrarian structure is characterised by the prevalence of small farming units. So far as agriculture benefits from economies of scale, cooperation between small farmers and their integration into higher forms of organization seems to be a prerequisite for a progressive development of agriculture. Production co-operatives are the most complex type of co-operative to organize, as they involve the joint use of land and implements in production, and aim to expand the earnings of a common farm to which the members usually contribute their labour. Fundamental political decisions generally need to be made before such co-operatives can be
successfully formed. Co-operative farming and joint use of land is an important question in the agrarian policies of many developing countries. In fact, collective forms of organization in agricultural production are characteristic features of the agrarian system of communist countries. But agricultural production co-operatives pre-date modern communist societies. The concept of the co-operative use of land goes back to the ideals of Fourier (1772-1837) and Owen (1771-1858) (Helm 1968, p. 111). In some countries such as Israel, examples of agricultural production co-operatives existed before the October Revolution of 1917 in Russia.

An important alternative to a peasant small-holder system is that of collective, co-operative, or state farms. According to Dorner and Kanel (1977, p.3), the question of the kind of economic organization to establish in farming is not a purely economic issue. Although this issue inevitably arises if a country embarks on a large-scale land reform, political and ideological factors will probably play a key role in determining the outcome (Dorner and Kanel 1977, p.3). Goyal (1966, p.104) makes the same point in viewing the Chinese experience, and Galeski (1977, p.20) points out that it is nearly impossible to analyse organizational differences, or economic and social consequences of collective farms, without taking into account the goal of the particular organization. According to him, certain criteria of an economic analysis could be quite meaningless for a collective's members if they created it in order to reach some religious, moral, or social goal. He gives the example of kolkhozes in Russia. The organizational principles of kolkhozes would be considered absurd in a non-planned economy, but they are not so absurd if it is recognized that the kolkhoze is a form which allows for surplus extraction from agriculture for use in extensive industrialization of the country (Galeski, 1977, p.20). Smith also notes that it is wrong to judge all co-operative or collective farms by an economic standard (1961, p.34). But Schiller argues that the question is to what extent, by adequate socio-organizational measures, can a prompt improvement of agricultural techniques and a corresponding increase of agricultural production be achieved (1969, p.viii). In fact, since co-operative/collective farms are economic organizations established to achieve certain social or
political goals we shall have to take into account both its goals and its contribution to agricultural productivity.

2.6 Arguments Against Co-operative Farming

Even though most countries have accepted that co-operation in many aspects of economic life is necessary and should be promoted, co-operative farming has not received pure praise. The opponents of co-operative farming generally regard private ownership of land and personal management of land as keys to the development of agriculture. According to them, farmers are sentimentally attached to their lands and only through coercion and force can people be herded into co-operative farms. If we sort out the detailed arguments against co-operative farming and reorganize them, it is possible to sum them up as follows:

1. In agriculture the scope for division of labour is limited and the economies of large scale are very difficult to attain, while the diseconomies are compelling. Large-scale farming, which a co-operative farming organization implies, would therefore not pay. Co-operative farming does not confer any special advantage compared with small peasant farms. Much recent work has shown that small farms (in some circumstances) are very efficient, for instance, in Japan and Taiwan.

2. Even if there were some economies in a co-operative farm, the increasing inefficiency of the human factor (quality of labour and management) would effectively offset such economies. People would not work on a co-operative farm as they would on a private farm. Managerial and supervisory costs of co-operative farms would be much higher than those of family farms. Co-operative farms may not succeed for lack of trained personnel. The farmer's status would be reduced from being self-employed to being a wage earner.

3. Co-operative farming would further aggravate the problem of unemployment already facing developing countries since it involves mechanization of farms.

4. The transition from family farming to co-operative farming involves coercion and force, which is possible only in a dictatorial and totalitarian set-up. Co-operative farming is then undemocratic and involuntary.


In some economic and political circumstances these drawbacks of
collective farming are very real. For instance, enforced collectivization caused a drop in Russia's food output. Nevertheless, some objections need to be viewed in a proper perspective, and most objections are not inherent and permanent characteristics of co-operative farming. In fact, a number of countries are experimenting with group farming or production co-operatives in an effort to overcome the problems of the family farming system.

2.7 Arguments Against Family Farming

The advantages of a family farm system, such as a large measure of freedom and independence, pride of ownership, willingness to invest in improvements, and close and intimate supervision, are well known. But this system also has defects in poor countries with large rural populations. In such countries the farmers have to work on small plots and the incomes of farm families are low relative to their needs and wants. They have to borrow too much from money-lenders and they may gradually fall into debt slavery. Ownership then becomes quite insecure and the incentives to better farming ineffective (United Nations 1954, p.20). Thus it permits undue concentration of ownership of land and often turns small owners into tenants or labourers. Moreover, for the sake of satisfying immediate and pressing wants, maintenance of soil fertility and full conservation of other resources may be sacrificed. Poor farmers are generally unable or unwilling to make the savings and investments necessary for good conservation. Furthermore, with increasing population and laws of inheritance that result in subdivision of properties, fragmentation of holdings has been the natural tendency of family farm systems. There are many countries in which a large proportion of farms are too small to provide a subsistence minimum for the cultivator and his family, or to provide them with full employment, and too small also to permit of any improvement in methods of cultivation (United Nations 1951, p.6). Even Western liberal thinkers such as Myrdal accept that small family farms are not particularly suitable for certain output-raising innovations such as irrigation works and the economic use of animal and tractor power (Sinha 1976, p.57). Another defect of owner-occupancy in many countries is that disputes about ownership can be costly and disruptive (United Nations 1954, p.26).
From the standpoint of development issues, Dorner and Kanel (1977) also point out two major drawbacks of the family farm system. First, a highly productive family farm system requires an elaborate service structure, such as research and extension services, which is both expensive and time-consuming to develop. Second, a family farm system can allow great inequalities to develop. These may be a function of variations in individual entrepreneurial abilities or initial endowments of land. Whatever their cause, they can accumulate over time and present serious obstacles to achieving a resolution of some of the problems of development (Dorner and Kanel 1977, pp.4-5). A government can not deal effectively with such a system until all the necessary infrastructure is in place and markets have begun to function competitively (Dorner and Kanel 1977, p.5).

2.8 Advantages of Co-operative Farms over Family Farms

The defects of the family farm system are often obstacles to agrarian development in developing countries. Some Western social scientists already acknowledge that group agriculture is a realistic possibility for rendering agriculture more meaningful in many underdeveloped countries (Sinha 1976, p.64). We now discuss some of the advantages of co-operative farms over family farms, before turning to some of the disadvantages.

2.8.1 Consolidation of fragmented lands

In most developing countries, farmers' holdings are subdivided and fragmented into various plots scattered over large areas. When holders of land decide to merge their holdings into a co-operative farm boundaries become unnecessary. Consolidation of farms reduces exertion and cost. In addition, consolidation makes more land available by abolishing the strips of land that need to be left between one fragment and another (Khusro and Agarwal 1961, p.63). More land means more employment. Also, a large collective unit can be more flexible than a small one in adapting its land-use patterns to fit variations in soil and topography (Dorner and Kanel 1977, p.6). Likewise, a large unit may have an advantage over a large number of small farms in certain types of infrastructural investments, such as a drainage system (Dorner and Kanel 1977, p.6).
2.8.2 Greater possibilities of reclamation

The second source of additional land and additional employment is reclamation of lands. There are still cultivable waste lands in most developing countries, but land reclamation generally requires a great deal of capital and labour, and individual farmers do not have adequate resources to reclaim these lands. A co-operative organization would generally have larger money resources as well as labour resources. It can be argued that a government organization may reclaim the waste lands and then hand these over to private farmers. But this argument can be questioned from the viewpoint of costs, particularly when waste lands are very widely scattered over the country (Khursro and Agarwal 1961, p.65). However, land reclamation and settlement is often the basis of co-operative farming in many countries.

2.8.3 Reducing average fixed cost

Under the family farm system, most fixed capital, such as draught cattle, is underutilized, since the size of holdings is too small to keep them fully employed. This means that the capacities of fixed capital are being wasted and their cost is high per unit of output. On a large farm, it would be possible to employ fixed capital more fully and the average fixed cost per unit of output would be lower. But after a certain size has been reached every addition to size would lead to diseconomies of scale, and it is a question of discovering the optimum size. However, a large unit would be able to employ fixed capital more fully than a small one.

2.8.4 Mobilisation of labour and capital

Under the family farming system, surplus resources such as labour are in small quantities and are scattered in time and space. These surplus resources remain unnoticed and unused because they cannot bring any substantial improvement and cannot be mobilized. When co-operative farms are formed it becomes possible for the co-operative unit, collectively, to take up such work as improving roads, land and irrigation. This is not surprising since collective action and individual benefit become more closely and more directly aligned as holdings of land and other assets become more nearly equal (IBRD 1984, p.88). Furthermore, as Khursro and Agarwal (1961, pp.57-59) have
observed, the mobilisation of capital and labour under an organization enables it to reduce the gestation period of investment projects. Labour is the most plentiful and cheapest resources available in low income countries while capital is scarce and expensive. Using the rural workforce for infrastructure improvement is an important means of converting labour into capital (IBRD 1984, p.88).

2.8.5 Realisation of social goals

In pursuing the development of co-operative farming, policy-makers generally aim at the realisation of several social and economic goals. In the social sphere, the main general objectives are the improvement of the social and economic condition of small and middle farmers and landless labourers. Co-operative farms are likely to bring about more equal income distribution and employment opportunities. Moreover, democratic management of co-operative farms helps to promote leadership at the grass root level. But much will depend on the nature of participation of individuals in the decision making process (Dorner and Kanel 1977, p.7).

2.8.6 Government's effective control

The government can develop more effective and direct contact with farmers in co-operative farming. Certainly it is easier for a government to provide services of all kinds - credit, inputs, extension, marketing etc.- to a small number of co-operatives than to a large number of small farmers. The government can also obtain greater control over agricultural production for fulfilling plan targets. Governments in the majority of developing countries regard co-operatives as an instrument for the implementation of official economic plans. Co-operative farms can facilitate grain purchases by the government.

2.8.7 Introducing modern farm management systems

Small farmers in the developing countries usually keep no records and generally rely on their memories to manage their farms. On co-operative farms, modern farm management can more easily be introduced and farm management accounting systems can be used, budgets can be prepared and detailed records kept, making it easier to predict future production trends, price trends, and cycles. While this would
reduce risks and uncertainties to some extent, it would also require more trained personnel.

2.8.8 Mechanization and productivity

It is normally true that mechanization of agriculture can aggravate unemployment in developing countries. But, according to Bicanic (1964, p.179), technological policy has two effects, one substitutive and the other additive. The first means that human labour is replaced by capital, and also that animal capital is replaced by mechanical traction. The second effect is the additive one, increasing the production forces capable of doing better, heavier, and faster work in agriculture. Moreover, Dorner and Kanel (1977, p.6) argue that 'with group farming, farm workers gain greater control over the type of technology that will be used, and they are more likely to preserve employment opportunities for themselves and their children'. Therefore, it could be hoped that co-operative farms would stress the additive effects, and the use of machinery might improve the intensity of cultivation and increase labour use. Even if unemployment is brought about by mechanization it may be applied to numerous neglected activities in agriculture, such as land improvement and irrigation.

As regards co-operative mechanization, tractors have generally been classified as labour-saving. But Raj (1973, p.113) points out that 'tractors could be land-saving either because they till the soil more deeply or because bottlenecks imposed by time are broken by greater speed of operations' (cited by Booth and Sundrum, forthcoming). In addition, increasing returns to scale were found to be operating in some selected areas of India (Krishnaswami 1977, p.46), and inverse relationship found under the traditional, labour-intensive technology, does not seem to hold good in areas undergoing technological change (Booth and Sundrum, forthcoming).

As regards the efficiency advantage of a small farm over large farm, Berry and Cline (1979, p.134) note that the special efficiency advantages of small farms tend to disappear when the opportunity cost of labour is relatively high. It means that small farms lose their advantage in the industrialization process which draws labour out of agriculture. Ohkawa (1972) reports a narrowing of the inverse ratio in postwar Japan (cited by Mellor and Johnston 1984, p.559). Mellor and
Johnston also state that this efficiency advantage of small farms may be offset by 'differentiating factors' such as a policy environment in which small farmers do not have access to credit or large farmers have access to tractors at artificially low prices (Mellor and Johnston 1984, p.559). However, there is considerable evidence from many parts of Asia that as agriculture begins to modernize and make more intensive use of non-labour inputs, the inverse size-productivity relationship becomes less marked (Booth and Sundrum, forthcoming). Thus it can be hoped that co-operative farms, which practise new technology, would get the same or higher yields compared with the small farmers. According to Sen (1975, pp. 18-28), out of four parameters in a production function, i.e., proportionate share, concern for each other, cost advantage and technology, a co-operative can be certainly higher only in technology than a family farm. Unless a co-operative is higher in technology than a family farm its output and employment will be less than on a family farm where the three other parameters are higher.

In addition, by mobilising labour and capital co-operative farms can convert single-cropped lands into double-cropped ones, or uncultivated into cultivated lands, or reduce the extent of fallows. In this way, when family farms come together as co-operative farms, land, labour, and capital all increase, and output may increase more than proportionately. This is nothing but a clear case of economies of large scale (Khusro and Agarwal 1961, p.5) (Goyal 1966, pp.165-166).

2.9 Problems of Co-operative Farming

The co-operative farming system has certain problems which are particular to its organizational structure. The main problems are as follows.

2.9.1 Management problems

In most countries co-operative farms were imposed from outside rather than purely voluntarily established by farmers themselves. There has also been more or less government control or support in the activities of co-operative farms, and this has caused management problems between managers and members. Members are supposed to be both workers and participants in policy-making; managers are supposed to supervise the workers and at the same time to be responsible to them.
Whether management is effective, and whether membership participation is meaningful, are among the most difficult problems in group farming (Dorner and Kanel 1977, p.6). Moreover, agricultural operations are difficult to measure, and for remunerations of labour various norms and records are required, this can lead to high overhead and supervisory costs. In fact, there is the difficulty of securing a sufficient number of agriculturalists with management ability capable of controlling a large labour force. Also, agriculture is a seasonal operation, and different jobs have to be performed during different seasons with great care, hence in a large farm extensive supervision is necessary. Managers have to direct a large body of workers here and there, often switching them from one job to another. If this were not done, output would suffer and if it is done effectively, managerial and supervisory costs may be very high. It is therefore difficult to have sound management on co-operative farms.

2.9.2 The Problem of Material Incentives

At various stages in the establishment and the working of a co-operative or collective organization the community interest has often appeared to diverge from the interests of the individuals. Here we must go back to the nature of the farmer. He is a person managing a business; he wants his family to be well cared for and he wants a respected place for himself and his family in the community. Being a farmer, he must seek to reach these goals through farming. Farmers are accustomed to a system of family farming and, however low their standards of living, they have adjusted themselves to this system. The agricultural production incentives in this system are:

1. remunerative price relationships

2. a reasonable share of the harvest

3. the availability of goods and services that farmers would like to be able to purchase for themselves and their families (Mosher 1966, pp. 99-100).

Together these provide the strongest economic (material) incentives. There are non-material incentives - farmers want respect and recognition from their friends and neighbours - but the most important incentives are economic.
A farmer joining a co-operative farm must usually give up his independence as the holder of a farm and prepare to change entirely his manner of work. Co-operative farming involves the joint use of land and implements in production, and aims to expand the earnings of a common farm to which the farmers usually contribute their labour. Unlike the simple distribution of goods and services in the family farming system, distribution is complex in co-operative farms.

Co-operative farms not only have to pay taxes and exchange goods and services with the rest of the economy, but have to compensate individual peasants sufficient to induce them to work. The magic of private property does not exist in co-operative farms. The socialization of agriculture fundamentally changes or eliminates traditional economic and social systems. In particular, the traditional means of motivation are changed and it is necessary to provide new incentives. Production incentives in collective farms can be classified into material and non-material categories as follows:

1. Material incentives
   a. Availability and price of consumer goods which peasants desire
   b. Income from private plots
   c. Costs in inputs
   d. Income from labour depending on the size of deductions made from gross income from collective farms.

2. Non-material incentives
   a. Competitive incentives --- Individual or group competition
   b. Co-operative incentives --- Mass movements, group decision-making
   c. Other --- Symbolic rewards, leadership (Crook 1975, p.20)

The combination of the two elements varies from country to country. However, material incentives are much more important in the motivation of the peasants and we will focus on them.

Members of collective farms are not wage-earners. Theoretically they are part-owners of the collective, and are supposed to be compensated for their labour. They do not earn a set wage, but instead earn a claim against the returns of the farm. Distribution of a collective's returns on the basis of labour days is thus not a wage, but the division of the final residual.
The amount to be transferred to each of the funds of a co-operative and their order of priority are laid down by law. This may mean forced formation of capital and reduced consumption. Often the remuneration of members is ranked lowest. If the amounts of the compulsory transfers are reduced and if the order of priorities is modified it is possible to improve the remuneration of work even without state subsidies (Bergmann 1975, p.241). Having little control over the size of the residue, members tend to maximize individual incomes by earning more work points, sacrificing quality of work for quantity and wasting inputs. Quality control can be built into the point system, but this implies close inspection and supervision which is not always desirable or possible (Reed 1977, p.374). In recent years the ranking of wages in the order of priorities has been substantially raised in some socialist countries. For example, with the 1967 Co-operative Law, co-operatives in Hungary were authorized to pay members' guaranteed annual salaries which takes precedence over liabilities to the state or material replacement costs. These salaries amount to about 80-95 percent of members' personal income for the year. The remainder of the income is paid as a year-end dividend based on the co-operative's net profit. The dividend system is thought to increase members' interest in raising the efficiency and profitability of the co-operatives as a whole (Hartford 1985, p.135). Now China also has turned to the 'responsibility system' which involves the assignment of land, animals and other assets to households in return for tax and sales quotas, a collective levy and some labour services. It has also done away with all aspects of collective management including work points (Watson 1983, p.713).

In the case of pooling private farms, the question arises of whether or not remuneration, at least for a time, should be provided for the land contributed by individuals. The incentive given to labour is reduced to the extent that the capital elements is rewarded, since all remuneration comes from the same limited output. But even in the socialization of agriculture in most communist countries the capital contribution has been taken into account, at least during a period of transition. Such a transition period may be necessary in developing countries. However, it is probably desirable legally to limit the percentage of net profits distributed on the basis of land contributed.
Income from labour is usually not the only form of remuneration in a production co-operative. The private plot has been a part of group farming systems. In macro-economic terms, the collective and the household plots are complementary, while at the level of micro-economics they compete for the factors of production, notably animal feeds, labour and tractive capacity (Bergmann 1975, p.237). If the opportunity exists for maximizing personal incomes by spending more time on the private plots, peasants will do so. If production from the individual plots becomes too large a component of the family's overall livelihood, it will threaten the functioning of the co-operative enterprises and endanger the achievements of other social, economic and political objectives of the system (Reed 1975, p.375). According to Chinn, the existence of the private plots may be interpreted as a necessary psychological mechanisms for achieving the transition, rather than a necessary requirement for the system to function at all (1978, p.263).

It is probably best to recognize the importance of the private plots in the overall economy and to make resources (as well as technical assistance) available on a loan, rental, and/or purchase basis. Even with a shortage of inputs, some amounts should be made available to the private plots while maintaining the relative priority of the collective farms. Hungary has been actively encouraging and materially assisting private plot production within collectivized agriculture. Hungarian officialdom has particularly emphasized that (unlike the early experience of the co-operatives) production in small-scale farming complements rather than competes with large-scale farming. Small-scale farming's labour force and its means of production are usually unsuitable for large-scale operations (Hartford 1985, p.138).

It is also important that the market price structure rewards collective production. If prices offered in the official channels are below those obtainable on the open market the result may be both the diversion of collective production to the private market and the diversion of scarce resources to private plots. Mackintosh (1985, p.91) suggests that safeguards should be set up such that the co-operatives are not forced to sell to the state at highly disadvantageous prices.
One option is to give them the choice as to whether they sell to the state or not. Another is to allow them to negotiate their own pricing structure with the state marketing board or other state institution at the beginning of the season. Another safeguard is to give the co-operatives the same freedom to choose their crop mix as other producers. Finally, one of the most important aspects of state support for co-operative through marketing must be to ensure that the co-operative members can exchange their cash returns for consumer goods and inputs to develop production, including investment goods required to innovate in comparison with individual farmers. Reed also suggests to offer near-market or even special incentive prices for collective production (1977, p.378).

Historically, in the less successful cases of collectivization, a large part of the problem has been due to socialist accumulation through the imposition of very high rates of direct or concealed taxation on agriculture. The degree to which a co-operative distributes profits as income is regulated, indirectly, through a steeply progressive tax system. Therefore, rapid increases in the profitability of a co-operative do not automatically translate into large income increases for members. In Vietnam, however, agricultural taxation on co-operatives has been relatively low. A proportion of taxes is returned to, or retained by, the co-operatives as their accumulation fund. Despite the fact that Vietnam is primarily an agricultural country, it is the profits of the state-owned industrial sector which has supplied the overwhelming majority of state revenues (White 1985, p.95).

The motivating force behind a group of farmers pooling their assets and efforts in agricultural production could be the promise it offered for improving their families' standard of living and giving them a greater chance of participating in educational and cultural opportunities. Meanwhile, the goals of the government are usually broader than the goals of an individual. There is a divergence of interests between the state and members of co-operatives. The state wants to increase production, have greater investment which may require restraining consumption, discourage the emergence of economically successful individual peasants as a superior social class, and increase
its base of political support. Co-operative members want to adequate income and services, autonomy of personal life, opportunities to advance within co-operative and ancillary organizations, as well as possibilities for engaging in some private family farming (Dorner and Kanel 1977, p.10). Therefore, the more closely positive economic incentives for the co-operative farms are aligned with the general economic goals of the society, the less need there will be for use of direct control mechanisms.

2.9.3 Voluntary membership and recognition of private property

Voluntary membership is one of the main principles of co-operative farming. However, it is now widely accepted that if participation in co-operative farming is voluntary, it is unlikely that land will be pooled on any appreciable scale (Sinha 1976, p.56). It is clear that co-operative development can be achieved in the developing countries only if governments lend their active support. Voluntariness must therefore mean voluntary action in the face of incentives provided by government through co-operatives. Voluntariness must not be interpreted in the laissez-faire sense of the government doing nothing to encourage such a voluntary action. Some even suggest the use of compulsion if voluntary effort fail to achieve any perceptible result (Sinha 1976, pp.56-65). Some justify the use of compulsion by arguing that, if there is a curbing of the individual's desires, it is essential in the interests of society (Goyal 1966, p.87). But it is important to note that compulsion can lead to the failure of a co-operative movement due to mass non-cooperation. On the other hand, voluntary membership has been a serious obstacle to the consolidation of holdings into economically viable units, as some peasants may not forego their rights to do what they please with their lands. Similarly, if a member has the right to withdraw from a co-operative farm, the stability of the farm is threatened. In the earlier years of collectivization in Poland, the voluntary co-operatives frequently had to be reorganized as a result of withdrawals, and it became impossible for the co-operatives to set long-term targets for investments or production (Sinha 1976, p.56).

In addition, one further obstacle to the success of co-operative farming is the recognition of private property in land and other
assets. When the right to private property in land and other assets is respected, initial inequalities in economic and political power may persist in the management of co-operative farms. In most co-operative farming ventures the membership is limited to those who pool their land and other material resources; landless labourers do not qualify for membership (Sinha 1976, p.56).

Obviously, co-operative organizations have some serious limitations and they do not serve as a panacea for all rural ills. But they do offer an organizational framework to reform agriculture and they do tend to serve the interests of the rural poor.
CHAPTER 3
CO-OPERATIVE EXPERIENCES IN CHINA AND INDIA

The following brief discussion on the organization, progress and working of agricultural co-operatives in China and India is only to point to certain features salient to Burmese experience. China has been carrying out a socialist transformation of agriculture and some features of its experience with rural development up to the late 1970s have been suggested for adoption in many of the new development proposals. As regards India, the Indian Co-operative Credit Societies Act of 1904 was applied to Burma as a province of India under British rule, and India also has much experience both in service and production co-operatives. The major aim of this chapter is to examine the Chinese and Indian experiences in the context of Burmese conditions.

3.1 China

When the Chinese Communist Party came to power in 1949, land reform was implemented throughout the country. The Chinese leaders accepted land reform as the basic starting point for rural development. After land reform, the Chinese Communist Party encouraged the peasants to form themselves into mutual aid teams. Mutual aid teams were organized by a few households primarily to exchange labour and draught animals during the peak season. Seasonal, and then permanent, mutual aid teams were formed between 1949 and 1952. Meanwhile, the Government made separate efforts to convert some of the mutual aid teams into elementary agricultural producers' co-operatives.

Elementary agricultural producers' co-operatives were based on the motto of 'centralised management but private ownership' (Wong 1977, p.119). Members contributed their land as capital shares to the
co-operatives and received rent payments. Stressing voluntary participation, the Chinese Communist Party recommended persuasion as the main method of implementing cooperativization. But in many places, cadres blindly chased figures and political pressure was exerted to boost membership. According to a survey in August 1954, of the 95,000 elementary co-operatives established early in that year, only 30 percent could be rated as well organized (Cheng 1982, p.72). Co-operatives in which middle and rich peasants had gained control tended to fix higher rents than those in which poor peasants had won control, and rent disputes caused great antagonism between poor and middle peasants (Cheng 1982, p.80). The rich and middle peasants slaughtered livestock on a large scale and refrained from improving their land. Throughout the country, draught animals died from overwork and neglect.

The pooling of thirty to forty households' resources required a great deal of planning, administration, and book-keeping. Peasants were too illiterate to supply the co-operatives with qualified accountants and some were too poor to contribute share funds, and managerial problems were acute in China after cooperativization. With the rapid growth of co-operatives there was a shortage of accountants. In turn, it was difficult to assess and evaluate the performances of the members and to distribute income correctly. This quelled the enthusiasm of capable members.

During the early 1950s, an intensive debate on the time schedule of collectivization took place among the top Chinese leadership. Mao opposed the gradualist approach and demanded the adoption of a National Programme for Agricultural Development, 1956-1967. The programme stipulated firstly that in some areas with favourable conditions all peasants should be brought into the advanced type of co-operatives (collectives) by 1957, and secondly that the conversion of the whole countryside into advanced co-operatives should be accomplished by 1958 (Cheng 1982, p.74). In advanced co-operatives, there were no rent payments to members and income distribution was based solely on work contributions. Various norms were used for the compensation of labour. By the end of 1957, China's 120 million peasant households had been organized into 752,113 co-operatives, of which 668,081 were of the
advanced type. Thus the main task for the socialist transformation of agriculture had been fulfilled by the end of 1957. According to Bergmann, it was an agrarian revolution without modern technology (1975, p.175).

Compared with the collectivization drive in the Soviet Union, the Chinese movement seems to have been more successful; it encountered no organized peasant rebellion and had fewer adverse effects on agricultural production. The Chinese leaders pursued a step-by-step approach, each stage providing the basis for higher development. The step-by-step transition helped to avoid a feeling of suddenness and shock among the peasants (Cheng 1982, p.84). But peasant resistance in the form of slaughtering livestock, neglect of land improvement and suspension of subsidiary occupations such as pig-raising was experienced at almost every step. However, several factors made the smooth, rapid collectivization of China's countryside possible. They were:

1. The Chinese Communist Party had a strong rural organization by 1955;
2. The Party in China exhibited effective leadership;
3. There was an enduring tradition of collective activities in China;
4. China was able to learn from Russia's mistakes (Stavis 1979, pp.169-173).

However, with the completion of collectivization in 1957, most of the distinguishing features of class, based on private ownership of land, ceased to exist. All classes received the same size of private plot per person. There was little difference in per capita income among poor peasants, middle peasants, and former landlords. In Yunan Province, in 1956, per capita income of poor peasants was 81.3 yuan while that of rich peasants and of former landlords were 101.9 yuan and 97.8 yuan respectively (Cheng 1982, p.85).

In an economic sense, collectivization failed to improve the land-population ratio. The population continued to grow at a rate of 2.2 percent during the 1952-1957 period, while cultivated land increased at a rate of less than 1 percent a year (Cheng 1982, p.85). There was an increase of double-cropping of food grain, which,
according to official statistics, added 128 million mu to the area sown for grain in 1952-1957 (Cheng 1982, p.88). As the total sown area in 1957 was 2342.72 million mu the increase was 5.46 percent of the total sown area. But, in 1957, the volume of food grain output rose by only 1 percent although the gross value of agricultural production increased by 3.5 percent.

Agricultural collectivization during the 1949-1957 period succeeded more in equalising the distribution of peasant income than in promoting agricultural output. The main impetus for collectivization seems to have come from the quest for social, political and economic equality rather than from the growth objective. In less than two years after collectivization, China again launched the Great Leap Forward in which collectives were merged and regrouped into people's communes. But a high degree of managerial inefficiency was experienced all over China during the early years of the communisation movement.

The scale of operation seems extremely important. Many of the difficulties arose from a lack of co-ordination and guidance, resulting from the enormous geographical coverage of individual communes. As the communes were multi-village units there was an eruption of inter-village factionalism. Further, the assignment of peasants to work outside both native village and the marketing community aroused very deep resentment (Shillinglaw 1971, p.90). The Chinese leadership realised its mistake and the size of communes was drastically reduced by splitting the initial 24,000 communes into more than 70,000 (Sinha 1976, p.63).

The Chinese leadership had been conscious of the other limitation of a collective enterprise, i.e the lack of personal incentives. In the early stages of communisation, it was intended that a large part of the distributable income should be given out in the form of a 'free supply' such as free meals at the mess halls. But this diminished the incentive to work and encouraged wasteful consumption. By 1961, free supply came to an end and the mess halls were closed down. Private plots, private livestock and the rural markets, which were abolished during the establishment of the communes, were revived.

The role of communes in mobilising labour and in the creation of infrastructure such as irrigation and transport networks, or in
bringing industries to the rural areas is widely acknowledged. Furthermore, the communes were able to guarantee employment and meet the basic needs of rural people, although communization meant some sharing of underemployment. Starvation and pestilence seem to be experiences of the past. But since the late 1970s the Chinese leadership has expressed its dissatisfaction with progress in rural development and China has now turned to what is called the 'Four Modernizations', including the 'modernization of agriculture', which puts emphasis on technological change. However, the processes of cooperativization and of communization in China vividly illustrate the importance of management and material incentives in collective farming. A country should not go too far in the social control of agriculture, and a degree of self-interest is essential in collective farming, as discussed in subsection 2.9.2.

3.2 India

The co-operative movement started in India in 1904 when the first Co-operative Credit Societies Act was passed by the then Government of India. In 1912 some of the deficiencies of the Act of 1904 were removed, and under its provisions societies with aims other than providing credit alone could be registered under the Co-operative Societies Act. Many types of societies sprang up after 1912. In rural areas societies were formed to purchase seeds, manures, and implements, to sell produce, to undertake the preparation of dairy, rice and cotton products, and for other purposes, such as consolidation of holdings and irrigation. But co-operation was chiefly confined to credit functions. Cases of mismanagement, failures and even frauds and other serious drawbacks were many during the subsequent years. The movement was strongest in Punjab, Bombay, Madras, and Mysore. Elsewhere only a small proportion of the population was brought into contact with the movement. The report of a special committee in 1915 pointed out the danger of permitting unauthorized overdues (loans not repaid by the due date) to increase, and the tendency to depart from co-operative principles. Reorganization took place and many societies were liquidated. Under British rule, India had the same agricultural credit problem as Burma. In 1938, an Agricultural Credit Department was set
up in the Reserve Bank, and in 1949 a major study urged greater assistance to co-operatives from the Reserve Bank.\(^1\) At the beginning of the First Five Year Plan (1951-1956), it was recognized that an adequate solution to the credit problem had not been found (Mellor 1968, p.62). But in 1967 there were 181,016 agricultural credit co-operatives in India and the credit available through co-operatives accounted for 40 percent of total agricultural borrowing (Singh 1970; pp.9-52). Nevertheless, overdues continue to be a serious weakness of the co-operative credit societies. Overdues formed 43.9 percent of the outstanding loans by 1969-70 (Shrishrimal 1977, p.194).

Up to the period of the Second Five Year Plan (1956-61), marketing and consumers' co-operatives were largely considered secondary to credit co-operatives. In 1954, the Report of the Rural Credit Survey Committee recommended the development of marketing and other co-operatives for formulating an 'integrated scheme for rural credit' (Javadekar 1977, p.313). After that, the figures for the development of marketing societies were striking. At the end of June 1967, there were 3,290 primary marketing societies, of which over 2,750 were organized on a territorial basis and the rest were specialized single commodity societies (Singh 1970, p.336). But a survey in 1966-1967 (Javadekar 1977, pp.319-321), showed that marketing co-operatives had performed poorly. Non-cooperative institutions such as groups of traders had more freedom of action, and they exercised it. It was not so in the case of co-operatives; their democratic character made on-the-spot decisions difficult, without which successful competition with experienced traders in the field became more and more difficult.

Another factor that affected the co-operatives was the lack of processing units for milling or preserving. Further, it was observed that non-cooperative businesses were doing more business than the co-operatives in terms of turnover per rupee. Capital turnover per rupee of medium co-operatives was 2.16 while that of medium non-cooperative business was 2.94 (Javadekar 1977, p.317). The co-operatives had a tendency to rely more on Government patronage which provided them with a monopoly position in the market.

\(^1\)India regained its independence in 1947.
Another survey in Punjab and Haryana in 1966-67 (Javadekar 1977, pp.321-323) also showed that services like credit, storage facilities, transportation and so on, were more easily available from traders than from marketing co-operatives. Interest charged by traders was 12 percent to 18 percent as against 10 percent charged by co-operatives, but, even then, traders were preferred by the cultivators. This was because of their promptness in service and the secrecy maintained by them in the matter of loans. The personal relationship between the trader and the cultivator was another reason. Hospitality from co-operatives was lacking and the working hours and rules of co-operatives were more rigid than those of the traders. The Fifth Five Year Plan therefore emphasized the consolidation and strengthening of the existing co-operative marketing structure and the formation of new agricultural processing units in the co-operative sector. However, we should not overlook the following remarks made by Rudra:

The talk of co-operatives in the field of credit and marketing still continues - it occupies a lot of space in the fifth plan volume. Such co-operatives are indeed quite widespread, but it is widely accepted that these organizations mostly perform a function very different from the one visualised for them in the pre-independence nationalist ideology. ... The prevalent practice is for rich farmers to form co-operatives and receive aid from the state (1979, pp.81-82).

As regards co-operative farming, the first attempts were made in 1921, and the movement received an impetus after India regained her independence. Intermediaries like the Jagirdars and the Zamindars were compensated and abolished throughout the country (Khusro and Agarwal 1961, p.31). The Planning Commission, which was set up in 1950, favoured the development of co-operative farming. The response of the Planning Commission to the problem of organizing small farmers in co-operative farming societies, however, varied over time. According to Chinchankar (1977, pp.242-257), the policies pursued by the Planning Commission for the development of co-operative farming may be divided into three phases. The first phase, which covered a period from 1951 to 1966 and corresponded to the first three five year plans, was characterised by a policy of experimentation. The second phase, embracing the period of the three annual plans from 1966 to 1969, was
marked by consolidation of the movement. The third phase, which began with the Fourth Five Year Plan in 1969-1970 and onward, was characterised by passive efforts.

During the phase of experimentation, there was considerable support for co-operative farming. At the 64th session of the Congress Party, held in 1959 in Nagpur, the future agrarian pattern was declared to be of co-operative farming. Service co-operatives were to precede co-operative farming and the formation of the former was to be completed by the end of 1961 (Goyal 1966, p.78). But the Nagpur Resolution did not go unchallenged. There was a debate in the Parliament and it also caused widespread controversy about the merits of co-operative farming, and several political leaders expressed misgivings about the scheme. The controversy retarded the progress of the movement, and the opposition to co-operative farming induced the Government to declare, with particular emphasis, that co-operative farming societies should be established only on a completely voluntary basis (Schiller 1969, p.113). The attitudes of the State Governments ranged from acceptance to indifference, and from indifference to positive hostility (Khusro and Agarwal 1961, p 35). As a result there was slow and uneven progress in the movement. When the Third Five Year Plan programme was proposed the Planning Commission stated that 'the main problems of co-operative farming are organizational, technical and educational' (Chinchankar 1977, p.247). It also emphasised the need to study the internal management problems faced by many co-operative farming societies. In 1965, the Report of the Committee of Direction on Co-operative Farming (Chinchankar 1977, pp.249-252) concluded that co-operative farming had not taken firm roots. The Committee also noted a number of drawbacks from which the movement suffered.

According to the Committee, as the programme was officially inspired there was an absence of non-official leadership. Voluntary co-operatives can not be formed successfully without non-official leadership. If the local initiators are respected and accepted by the local communities local participation can be assured. In addition,

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2We must take into account this fact as the Burmese movement also is officially inspired.
many farming societies, according to the Committee, were dominated by big farmers and there were enrolments of non-working members. In the collective farming societies the non-working members constituted about 19.1 percent of the total, but their proportion was as high as 28.3 percent in the joint farming societies. Again, among the working members, full-time working members constituted about 60 percent of the total number of working members in both types of societies in 1971-72. The remaining 40 percent were those who worked 'part-time in field operations' and 'others' (Chinchankar 1977, p.274). This may have been due to the lack of sufficient incentives. The Committee pointed out the lack of non-farming activities to provide employment and opportunities, and inadequate provision of technical and financial guidance as the drawbacks of the Indian co-operative farming movement.  

In India in many cases co-operative farming societies were established with the intention of obtaining government subsidies. Quite often a land-owner split his large plots of land and transferred these to the names of near relatives. Then the various parts were registered together as a co-operative farm. Thus some societies resembled more a large family farm, and management was invariably in the hands of the biggest partners. The surveys conducted during 1961-1962 disclosed that as many as 70 out of 91 societies in Kerala failed to carry out cultivation and management on a joint basis. In fact such societies were fictitious co-operatives.

Another important defect pointed out by the Committee was the absence of work allotments and norms in the management of co-operative farms. The majority of societies had not introduced norms or any other system of assessing performance. Generally, work on the farm was compensated according to the locally prevalent rates. The Committee also pointed out the opposition of the political parties as a drawback of the movement.  

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3 In fact, creating off-farm work opportunities and provision of technical and financial guidance will be also important in Burma since there exist unemployment and underemployment at least seasonally and agricultural productivity is generally low.

4 If differences in skill and ability are not evaluated and rewarded, disincentive may develop among skilled and able members which would affect production. At least simple norms should be laid down so that members realize what is expected of them.
Thus the Committee recommended the revitalization of the societies and suggested restricting the development of co-operative farming to selected areas in India. The recommendations were accepted and the State Governments were directed to give priority to revitalization. By 1969-70, the number of joint and collective farming societies at work stood at only 8,819. With the gradual decline in developmental efforts, the progress of co-operative farming stagnated. An official report in 1973-74 observed that only a few states were keen on the co-operative farming programme (Chinchankar 1977, pp.255-256). During the planning period spanning 25 years, not even one percent of the total cropped area was brought under co-operatives.

According to Chinchankar (1977, pp.256-267), the failure of the co-operative farming movement was in large measure attributable to half-hearted policy, the indifferent attitudes of the State Governments, constraints on financial resources, lack of administrative support, and last but not least, the political controversy over the idea of co-operative farming. Although the Planning Commission underlined the importance of co-operative farming, it did not, and probably could not, follow this up with bold efforts for its development (Chinchankar 1977, pp.256-257). Due to the emphasis on experimentation, the programme of co-operative farming was gradually isolated from the mainstream of agricultural planning. Rudra remarks:

Talks of co-operatives, joint farming and co-operative aids to individual farming were kept up during the first plan and the second plan (1951-1955 and 1956-1960), but there was no further talk of any enforcement. Even talk of co-operation in the field of production has ceased since then (1979, p.81).

In addition to the half-hearted policy of the Planning Commission, the progress of the co-operative farming movement was hampered by the indifferent attitude of the State Governments. In many states, co-operative farming schemes were regarded as of secondary importance since the governments were preoccupied with the development of co-operative credit. Even where the state governments encouraged co-operative farming, they took hardly any measures to ensure coordination among developmental departments for the progress of the movement. The state governments made only belated efforts to promote co-operative farming, and it took almost seven years after it was first prepared for Governments to implement the scheme.
One other factor hindering co-operative farming was constraints on financial resources. Due to the Chinese-Indian war (October 1962) and the Indo-Pakistan war (September 1965), several state governments effected a financial cut in co-operative farming programmes. While co-operative farming programmes needed strong financial support, these cuts were compounded by inadequacies in the administrative machinery. Administrative arrangements, laws and procedures for giving financial assistance and agricultural supplies, which were designed primarily to promote agricultural production on individual farms, were not suitably adapted to the needs of co-operative farming societies. In many cases, societies found themselves seriously handicapped and were not able to obtain even the assistance that was available to individual farmers. Moreover, in many areas the technical guidance given by staff was neither adequate nor of the standard required.

Lastly, the spread of co-operative farming was also checked by furious ideological debate. As we have stated above, the great debate after the Nagpur Resolution retarded the progress of the movement. The experience of Khargone district in Madhya Pradesh, where the political atmosphere was extremely unfavourable to co-operative farming, is a good example. In sum, then, the Indian experience well illustrates how firm political decisions, government support and a favourable political atmosphere are essential to the formation of a co-operative farming system in developing countries.
4.1 The Co-operative Movement Before the Second World War

As we have seen in Chapter 1, private money-lenders were the most important agency for meeting the credit needs of small cultivators in Burma in the colonial period. The co-operative movement was started to free the small cultivator from this dependence on the money-lenders. But it was introduced without any previous inquiry to ascertain the need or the demand for it. It was imposed from above and was inspired by the desire of the Government to involve the cultivators themselves in credit provision. The Co-operative Credit Societies Act was passed by the then Government of India in 1904. It owed its inception to the report of the Indian Famine Commission of 1901, which recommended the introduction of mutual credit societies in India. It may fairly be surmised that Burma had no place in the thoughts of the Government of India when the new policy was formulated (Burma 1949, p.85). It would seem, however, that the Lieutenant-General of the day desired that Burma should enjoy whatever benefits the new legislation could offer (Burma 1949, p.85). However, the co-operative movement in Burma was associated with rural development from the very beginning.

4.1.1 Co-operative Credit Societies

The first co-operative credit society was formed at Myinmu in Upper Burma in 1905; in 1910 there were 202 societies with a membership of 6116. Finance was to be provided from the share capital of societies, from deposits, and from loans by Government, which undertook to advance an amount equal to the share capital and deposits of each
society. But deposits collected locally were small, and the needs of societies could not be met from share capital and Government loans. The Upper Burma Central Union Co-operative Bank was established in 1910 to collect funds to finance societies, and it became in 1920 the Burma Provincial Co-operative Bank. Revised legislation (1912) removed some of the deficiencies of the Act of 1904 and widened the scope of the societies. New types of societies such as cattle insurance societies sprang up in rural areas after 1912. But credit societies were predominant. The Provincial Co-operative Bank financed co-operatives throughout the country, through the district or township central banks where such existed, and directly financed 2300 primary co-operatives in 22 districts (ILO 1955, p.9). The difficulties of dispensing credit from a single centre over wide areas were obvious, and it was thought that they might be overcome by grouping the societies into Unions to supervise and to assess credit and guarantee borrowings by the societies. Fostered by money supplied by the public through the Provincial Co-operative Bank, the societies grew in number. However, there was no proportionate increase in the government staff who supervised and inspected the societies.

During this period there was a rapid growth of national spirit, and the increase in number of co-operatives was partly attributable to constant emphasis, by the Burmese nationalist leaders, on rural cooperation and land problems. By 1925 there were 4,057 societies, with 92,005 members; this was the peak period of the co-operative movement before the Second World War. A period of decline then set in. Members began to fail to repay the loans due to their co-operatives, with the result that the latter were unable to repay the banks which had financed them.

The Calvert Committee Report submitted in 1929 revealed that the Burma Provincial Co-operative Bank was insolvent and that the whole movement was generally in a state of collapse. Even before the depression the movement was in a shaky position. On the recommendation of the Calvert Committee, the Government liquidated many of the societies on account of heavy overdues. The Provincial Co-operative Bank (the apex bank) was liquidated in 1932, the Government undertaking liability for the Bank's obligations and taking over its assets. When
the societies were liquidated both the moveable and fixed property of members was seized by liquidators, since members' liabilities were unlimited. The world depression, with its fall in cereal prices, hastened the decline of the co-operatives, and the co-operative movement reached its lowest ebb in 1934-35. Only 1,371 societies were then left and liabilities of liquidated societies amounted to 6,800 thousand rupees of which only 323 thousands were recovered during the year, mostly through the auction of land. By June 1935, 70,334 acres of land had passed to the liquidators, of which 41,588 acres belonged to societies indebted to the Provincial Co-operative Bank (BSPP 1970, pp.244-251).

The policy of seizing and selling every asset of members in pursuance of the principle of unlimited liability reduced the status of cultivators to that of tenants or labourers. Liquidation was obviously not in itself a solution, and the problem of how to save the co-operative movement and re-establish it on a sound footing, was tackled by the Registrar,¹ U Tin Gyi. The debts of the members were scaled down to what could be recovered out of yearly income over a reasonable period. These were to be repaid by instalments and periods of repayment ranged from 5 to 15 years. Further, the societies let the foreclosed land to the original owners at a rent equal to the annual instalment fixed. On payment of the last instalment the land passed back into the possession of the member by paying a nominal sum of one rupee. Fresh loans were advanced to the members for the purpose of cultivation, and annual instalments and crop loans were repaid in kind to the society. This reconstruction work was known as the rent purchase system and the system worked well. Crop loans and rent purchase annuities were fully recovered. The reconstruction work started in 1935 and the agricultural credit societies numbered 1,599 by 1941 (BSPP 1970, pp.253-261.)

¹This post equaled that of senior Director.
4.1.2 Causes of the Failure of the Co-operative Movement

The co-operative movement was begun with optimism, and much was expected of it. Men were to combine to obtain money on loan on the basis of their personal security and integrity; indebtedness was to disappear, and after ten years, societies were to be self-supporting and working largely on their own capital (Burma 1924, p.1). But the movement was a failure.

Furnivall asserts that the movement was less successful than might have been expected (1957, p.132). According to him, two advantages were gained from the movement. The first was that the additional supply of capital which the co-operative movement had made available to agriculturalists in Burma had tended to reduce the rate of interest paid by Burmese cultivators in general. The second was that it had done much to organize, for productive purposes, Burmese capital which had previously been left idle or buried in the ground. It had also familiarised both rich and poor with the procedures of banking (Furnivall 1957, pp.128-135). No one will deny the second advantage, but the first one is doubtful. Even at its maximum extent the co-operative movement provided only a fraction of the credit needs of agriculture. Less than 5 percent of the eligible agrarian householders belonged to about 4,500 co-operatives in all of Burma. Few Burmese agriculturalists in the Delta, where debt was heaviest, joined local co-operatives. The co-operative credit societies were designed to provide crop loans for short periods, while the cultivators in the Delta wanted long-term loans for purchases of land or cattle. Most members in the Delta therefore used the funds borrowed from societies for purchases of land or cattle and they could not repay it. In addition, it was very difficult to have societies in the Delta where the cultivators were essentially migratory. Furnivall also points out this fact. Even in the districts in Upper Burma where the movement enjoyed greater success, less than 10 percent of all agrarian loans were obtained from co-operatives (Adas 1974, p.138). Therefore co-operative loans were relatively too small to have a significant effect on the rate of interest paid by cultivators in general.

According to the Report of the Burma Provincial Banking Enquiry Committee (1929-1930), the causes for the general failure of the movement were:
1. bad harvests in Upper Burma between 1918-1924

2. neglect of fundamental principles and the failure to confine loans to proper amounts and uses

3. neglecting to lend according to capacity of borrowers

4. insufficient connection with the commercial banking system of the country

5. failure to deal strictly with members and societies which did not repay (cited by Wai 1963, pp.75-76).

It is true that there was a lack of understanding of the fundamental principles of co-operation among the people, and the movement was launched before the people were sufficiently educated about it. With the unduly rapid growth of societies, the Co-operative Societies Department was unable to give sufficient attention to education in cooperation and relied more and more on the Unions to perform this duty. The department suffered from a lack of adequately trained staff. The position was worse in the Unions and the societies. The Unions also failed to perform their duties. Fictitious figures and paper adjustments of repayments and fresh loans were common, and auditors failed to examine repayments in order to check book adjustments. The rather elaborate audit forms provided for the co-operatives were generally more confusing than helpful (BSPP 1970, pp.272-274; Burma 1949, pp.87-101)

According to Furnivall, the chief reason for the failure of the movement was that societies had not been sufficiently strict in insisting on the punctual repayment of loans, and that the auditors and inspectors of the Co-operative Department had failed to press the committees of the societies into carrying out their duties (1957, p.134). It is true that if auditing had been more thorough, and the societies had insisted on the punctual repayment of loans, the state of affairs would not have been as bad as it was. Some Indian Provinces also experienced overdues and liquidation of credit co-operatives, but it was seldom necessary to make a call upon the unlimited liability of members. This may have been because of better supervision than in Burma. It is likely that linking marketing functions with credit in these societies would have been more effective, rather than merely insisting on the punctual repayment of loans. But, it is unlikely that
this could have saved the movement from failure. It is very difficult
to achieve sound co-operative marketing functions while the members
remain indebted to local merchant money-lenders. As co-operative loans
were small in Burma, members of societies had to fall back on the
money-lenders.

Advances for cultivation and living expenses must be adequate if
outside borrowing is to be avoided; credit must be adequate as well as
strictly controlled. Reconstruction experience during 1935-1940 showed
that the member cultivators were ready to repay their dues, if they did
not have to rely on the money-lenders, and if the dues were within
their repaying capacity. Incorporating marketing functions also
ensured repayments during the reconstruction period. In reality, the
member cultivators failed to repay their loans due to their low income.
Average paddy yield per acre was 28.17 baskets (1296 lbs)\(^2\) (Burma 1957,
p.12), though it is now over 60 baskets. Much of the crop was
transferred from the cultivator to local shopkeepers, money-lenders,
and brokers at the threshing floor in settlement of existing debts.
The demands on the cultivator's crops at the time of harvest could be
summarised as rent, tax, cost of labour and cattle (of which much was
paid in kind at harvest), repayment of loans from money-lenders and
seed for the next year's crop. The only produce left in the
cultivator's hand was that part for home consumption and seed paddy.
Too little was left for cultivators and they lived at a subsistence
level. Even if the societies insisted on the repayment of loans the
members would have nothing with which to repay them. The only way to
redeem a loan from farmers would be by foreclosing, as was done during
the liquidation period.

In fact, the problem for which the cultivators in Burma had to
find a solution was not one of the provision of credit alone. This was
only one of the factors contributing to a solution of the real problem,
namely, the improvement of the economic conditions of the cultivator.
The supply of cheap credit could not by itself achieve this end.
Poverty and debt became a vicious circle. The remedy consisted of
raising income, either by increasing agricultural productivity for

\(^2\)Average for the years 1936-37 to 1940-41.
those with land, or by providing non-farm jobs for those without land. Therefore, the chief reason for the failure of the co-operative movement was the lack of marketing functions, insufficient credit provided by the societies, and the low income of the member cultivators.

4.1.3 Cattle Insurance Societies

The cattle insurance societies were formed after 1912 and these societies were well known for their features. Farmers were insured against death of livestock, both plough cattle and buffaloes between the ages of 4 and 12 years were accepted for insurance, and the societies confined their operations to single villages. The premium was fixed at 5 percent of the value of the animal and was payable in two half-yearly instalments. Indemnity payments were only two-thirds of the value of the animal. A most interesting, and perhaps original, feature of the Burmese scheme was a system of re-insurance with a central society (Aiyer, 1951, p.165). All the village societies were affiliated to the central society, and one half of the premium paid for each animal was sent to the latter. When an animal died, the central society met half the indemnity payable, the other half being paid by the village society. In 1916, there were 305 societies with 5,045 members with a total risk insurance of Rs 287,061 of which Rs 113,050 was the risk re-insured. Although these societies did not cover many farmers they made noteworthy progress. But no records about these societies for the period 1940-45 have been found, having disappeared during the Second World War.

4.1.4 The Colonisation System

By the term 'colonisation' we mean the placing and keeping of peasant cultivators on waste lands brought into cultivation by means of systematic reclamation. Colonisation started as a branch of the activities of the Co-operative Societies Department in the Kadowbaw Fuel Reserve in 1914-1915 and was extended from 1917 to 1923 into the Yitkangyi Fuel Reserve in Pegu South and the Alangon Reserve along the Gulf of Martaban (Burma 1949, p.136).

Selected colonists were settled in these areas and a number of Tenancy Co-partnership Co-operative Credit Societies were formed with
memberships of 25 to 40. To each society the Government leased a block of land (1000 to 2000 acres) and issued loans under the Agriculturists' Loans Act. The society in turn divided up its blocks into plots averaging about 40 acres, and sub-let each plot to its members. In 1923 the colonies extended over an area of about 120,000 acres producing 80,000 tons of paddy annually. These societies were grouped into the Sittang Colonies Co-operative Banking Union Ltd which later became the State Colonies Bank. In about 1933 a rice mill was purchased and a system of collection, milling and sale of the produce from the colonies was developed. Members paid dues in produce, this was marketed by the Union and any balance remaining after deduction of dues was returned to the members concerned. In addition to the compulsory delivery of paddy in payment of dues, colonists were encouraged to hand over the rest of their crop for the Union to market. The colonists got a better price for their produce by milling and selling through the Union than they got from millers and rice brokers. When the Second World War broke out there were 155 societies and the colonies extended over an area of 251,557 acres in seven districts. But during the war period there was little activity in the colonies and the moribund societies were liquidated due to malpractices. However, the colonies attained a fair measure of success and the societies were reconstructed after independence as Multi-purpose Co-operative Societies. The working of these colonies seems to show that the small cultivator can be settled and maintained on such lands, especially if he is adequately financed and systematically provided with marketing facilities.

4.2 The Co-operative Movement After Independence

During the Second World War, Burma suffered enormous destruction of its industrial, transportation, communications, agricultural and productive capacity. Millions of acres of fertile paddy land were overrun by jungle, and the area under cultivation fell by half between 1939 and 1945. In 1948 Burma regained its independence. Even before independence the Burmese nationalist leader, General Aung San, in his

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3From 12,816,000 acres in 1938-39 to 6,983,000 acres in 1945-46. For details see Tinker, 1968, p.227.
Presidential Address at the Second Session of the Supreme Council of AFPFL in 1946, mentioned the role of co-operatives in rehabilitating the economy.

The need for a country-wide Co-operative Movement is timely and quite proper. Besides the spirit of co-operation and organization that will instil in the minds of our people, it will also encourage thrift, self-help and creative endeavour, for then people will know, as they toil on, that it is the best way to promote national prosperity when there is much dearth of capital in our country and that after all it is labour, their own labour which creates capital (Burma 1946, p.36).

On 6 June 1947 General Aung San convened a meeting of politicians and senior officials at 'Sorrento Villa'. The general purpose was to bring to an end the 'colonial economy' and to create a new socialist system.

4.2.1 The Land Nationalization Act and Co-operative Farms

The Constitution declares that the State shall have the right to resume possession of any land, and distribute the same for collective or co-operative farming or to agricultural tenants. The Land Nationalization Act 1948 was enacted in the year of independence and stipulated that farmers receiving land must form mutual aid teams and join co-operatives. The declared purpose of the Act was 'to put an end to landlordism and to usher in an era whose ultimate objective is collective farming' (Myint 1971, p.167). It was tried out only in one township, Syriam of Hanthawaddy District, where the experiment was an almost total failure. Furnivall, always a friendly commentator, attributed this failure to 'favouritism', 'mistakes', and 'bribery' (cited by Tinker 1968, p.229). Meanwhile the onslaught of the civil war paralysed the whole machinery of agricultural production and marketing. Many farmers were forced to abandon their former routine of living in field huts to cultivate their more distant holdings. They found themselves often compelled to pay tribute to the rebels. Frequently in the more inaccessible areas, the paddy piled up for months on end because of the breakdown of communications and transport.

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4 The Anti-Fascist People's Freedom League was a political party which fought for the country's independence.
For the first three years after independence, the Government was fully occupied in fighting the civil war.

In 1953, when a measure of political stability was attained, a more detailed and expanded version of the Land Nationalization Act was passed in Parliament, and an effort was made at implementation. According to the programme, the redistribution of the 10 million acres would be completed by the end of 1955, and the farming families receiving a holding would then join together in mutual aid teams. As experience of co-operative methods was gained, every four mutual aid teams would be grouped together in agricultural producers' co-operatives. During the years 1956-62, the 200,000 mutual aid teams would have become 50,000 co-operatives. But even this would be a transitional phase. From 1954-55, producers' co-operatives would be grouped into collective farms of 800 to 1000 acres, and a complete revolution in Burmese agriculture would be accomplished (Tinker 1968, pp.240-241).

But, in practice, 3.4 million acres were resumed, 1.6 million acres were exempted and 1.4 million acres redistributed by the end of 1957-58 (Burma 1959, p.79). It would take about 20 years to complete the programme and it was 'temporarily' suspended in 1958 'pending further analysis and study' (Myint 1971, p.171-174 ). The aim of establishing collective farming, which was part of the plan, was far from being attained. Co-operatives and mutual aid teams had indeed been formed in the nationalized areas, but they existed only on paper (Myint 1971, p.173). There was inconsistency between what the Government proclaimed and what it actually did. There seemed to be no co-ordination between the Ministries of the Government, and when theFive Year Co-operative Plan was announced in 1951 by the Ministry of Co-operatives, co-operative farming was found to have no place in it. The main reason for the suspension of the land nationalization programme may have been the half-hearted policy of the Government. This seems to show that a co-operative farming system can not be formed successfully without a bold effort by the Government.
4.2.2 The Five Year Co-operative Plan and Agricultural Co-operatives

In July 1951 the Government summoned a National Convention on Co-operatives and a Co-operative Plan was presented to the conference. It put forward a series of broad proposals, including a marketing co-operative in each village, consumers' co-operatives in every town, industrial co-operatives, and a nation-wide organization to supervise their progress, with District Unions and a National Co-operative Council.

Under the Five Year Co-operative Plan almost every one of the 12,000 village tracts in the country was to have a Proco (Agricultural Producers Co-operative) to service its members with finance, to supply consumer goods and agricultural inputs, to sell produce and to promote thrift. The original purpose of the co-operatives was the financing of agricultural loans. Crop loans, repayable in one year, and loans for cattle purchase, repayable in three or four years, were provided by the co-operatives. But the great majority of them were merely borrowing from the Government at 6.25 percent and issuing loans to their members at 12 percent for the cultivation of paddy. A few Procos borrowed from the Government and issued loans to their members at the mentioned rates for the purchase of cattle, but the total amounts involved were much smaller. From the foundation of the State Agricultural Bank (SAB) in 1953, Procos borrowed from it at 6 percent. Members to whom loans were granted were required to sell their produce, up to an amount equal at least to the amount of the loan from the Proco. In addition to the co-operative loans, there were direct government loans under the Agriculturists' Loans Act (1947). Compared with the total of Government loans for cultivation in the country as a whole the share of the co-operatives in the provision of credit was small, as is shown in the following table.
Table 4-1: Co-operative Loans and Total Government Loans (Kyat* in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Co-operative Loans</th>
<th>Total Govt. Loans</th>
<th>Co-operative Returns</th>
<th>Total Govt. Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>4.0</td>
<td>29.4</td>
<td>3.5</td>
<td>13.6</td>
</tr>
<tr>
<td>1951-52</td>
<td>8.7</td>
<td>35.6</td>
<td>7.5</td>
<td>21.1</td>
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<td>1952-53</td>
<td>13.9</td>
<td>55.9</td>
<td>12.5</td>
<td>50.5</td>
</tr>
<tr>
<td>1953-54</td>
<td>18.0</td>
<td>54.3</td>
<td>15.7</td>
<td>38.9</td>
</tr>
<tr>
<td>1954-55</td>
<td>20.6</td>
<td>52.1</td>
<td>18.4</td>
<td>39.7</td>
</tr>
<tr>
<td>1955-56</td>
<td>20.7</td>
<td>42.8</td>
<td>18.5</td>
<td>35.7</td>
</tr>
<tr>
<td>1956-57</td>
<td>21.4</td>
<td>48.3</td>
<td>18.4</td>
<td>39.5</td>
</tr>
<tr>
<td>1957-58</td>
<td>11.2</td>
<td>46.0</td>
<td>10.8</td>
<td>40.9</td>
</tr>
<tr>
<td>1958-59</td>
<td>-</td>
<td>56.4</td>
<td>-</td>
<td>49.6</td>
</tr>
<tr>
<td>1959-60</td>
<td>-</td>
<td>73.1</td>
<td>-</td>
<td>63.3</td>
</tr>
<tr>
<td>1960-61</td>
<td>-</td>
<td>87.7</td>
<td>-</td>
<td>61.1</td>
</tr>
</tbody>
</table>

Notes: Co-operative loans from 1953-54 to 1957-58 include both direct loans and loans through the State Agricultural Bank.

*The Burmese Kyat equaled approximately US $ 0.167.

Sources: ILO 1955, p.82; and Burma 1958 & 1962, p.80 & p.96.

The recovery of loans issued through co-operatives was considerably more than that of direct government loans, but less satisfactory when compared to village banks. This is shown in Table 4.2.

Village banks were established under the SAB in 1953, which thereby took over rural credit operations from co-operatives in 1958-59. Direct government loans were also issued through the SAB. In fact co-operative loans constituted only 13.6 to 48.4 percent of total government loans during the period 1950-58. The surveys conducted by the Settlement Party in Pyapon, Maubin, and Pegu districts in 1952-54 showed that about 98 percent of cultivators surveyed in these districts had to take loans of one kind or the other, and that 52 to 83 percent of total loans were from private sources (Burma 1956, p.578 & 588).
Table 4-2: Co-op Loans, Direct Government Loans and Village Bank Loans (Kyat in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Co-operative Loans</th>
<th>Direct Govt. Loans</th>
<th>Village Bank Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-51</td>
<td>4.0</td>
<td>25.4</td>
<td>-</td>
</tr>
<tr>
<td>1951-52</td>
<td>8.7</td>
<td>13.6</td>
<td>-</td>
</tr>
<tr>
<td>1952-53</td>
<td>13.9</td>
<td>42.0</td>
<td>-</td>
</tr>
<tr>
<td>1953-54</td>
<td>18.0</td>
<td>35.0</td>
<td>1.3</td>
</tr>
<tr>
<td>1954-55</td>
<td>20.6</td>
<td>17.8</td>
<td>3.5</td>
</tr>
<tr>
<td>1955-56</td>
<td>20.7</td>
<td>12.0</td>
<td>5.2</td>
</tr>
<tr>
<td>1956-57</td>
<td>21.4</td>
<td>12.6</td>
<td>8.5</td>
</tr>
<tr>
<td>1957-58</td>
<td>11.2</td>
<td>18.3</td>
<td>11.8</td>
</tr>
<tr>
<td>1958-59</td>
<td>-</td>
<td>27.4</td>
<td>28.6</td>
</tr>
<tr>
<td>1959-60</td>
<td>-</td>
<td>30.3</td>
<td>42.3</td>
</tr>
<tr>
<td>1960-61</td>
<td>-</td>
<td>30.4</td>
<td>56.0</td>
</tr>
</tbody>
</table>

Notes: As Table 4.1
Sources: As Table 4.1

According to Myint, government loans for the 1950s, which were only for short term purposes, accounted for a meagre 16 to 18 percent of estimated needs (1971, p.181). If this is so, the contribution of co-operative loans to agricultural needs was certainly small. The main weakness of co-operative credit was its entire reliance on government loans. The owned funds of the societies were small and they had not succeeded in attracting deposits to any sizable extent. Perhaps most of the farmers were too poor to save much or they took little interest in the co-operative movement due to unsatisfactory management and bitter experiences in the colonial days.

4.2.3 Co-operative Paddy and Rice Marketing

With the establishment of the State Agricultural Marketing Board (SAMB) as the sole agency for the export of Burmese rice and rice products, it became possible for the Procos to begin the joint sale of their members' paddy either as paddy or as rice. An experimental start
was made in 1951-52 in eight of the principal paddy-growing districts. The Procos in these districts collected the paddy of members and sold it to the SAMB depots through the District Unions. The District Unions advanced all of the incidental charges and paid out the sale proceeds promptly. The SAMB financed paddy marketing operations by District Unions with a loan of $5$ million (ILO 1955, p.83). The District Unions charged a commission of $5$ per 100 baskets\(^5\) of paddy sold, half of which was returnable to the Procos concerned after 5 years. The District Unions could use the commissions as a portion of working capital before returning it to the Procos. The quantity of paddy sold in 1951-52 was over 1.7 million baskets (35.2 thousand metric tons), and in 1952-53, joint sale was extended to 22 districts. Joint sales of paddy by Procos and total government procurement from 1951-52 to 1959-60 are shown in Table 4.3.

Table 4-3: Co-operative Sales and Total Government Procurement of Paddy (in thousand metric tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Co-op Sale</th>
<th>Government Procurement</th>
<th>Sales/Procurement %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951-52</td>
<td>35.2</td>
<td>2474</td>
<td>1.4</td>
</tr>
<tr>
<td>1952-53</td>
<td>99.2</td>
<td>3072</td>
<td>3.2</td>
</tr>
<tr>
<td>1953-54</td>
<td>177.5</td>
<td>2523</td>
<td>7.0</td>
</tr>
<tr>
<td>1954-55</td>
<td>274.2</td>
<td>2519</td>
<td>10.9</td>
</tr>
<tr>
<td>1955-56</td>
<td>175.8</td>
<td>2489</td>
<td>7.1</td>
</tr>
<tr>
<td>1956-57</td>
<td>101.1</td>
<td>2680</td>
<td>3.8</td>
</tr>
<tr>
<td>1957-58</td>
<td>69.3</td>
<td>2590</td>
<td>2.7</td>
</tr>
<tr>
<td>1958-59</td>
<td>92.7</td>
<td>3243</td>
<td>2.9</td>
</tr>
<tr>
<td>1959-60</td>
<td>23.1</td>
<td>2549</td>
<td>0.9</td>
</tr>
<tr>
<td>1960-61</td>
<td>n.a</td>
<td>3026</td>
<td>-</td>
</tr>
</tbody>
</table>


\(^5\) 1 basket = 46 lbs
Co-operative sales as a proportion of government procurement increased up to 1954-55 and decreased thereafter. This was partly because of fluctuations in the level of production and unfavourable climatic conditions, and partly because of higher prices given by private traders. Especially in 1959-60 joint sale was conducted only in 16 districts for these reasons. The Procos seemed to have the same defects as the Indian marketing societies which were mentioned in Chapter 3. In that year the commission charged by the District Unions was reduced from K 5 to 3 per 100 baskets of paddy sold. Some Procos milled the paddy in co-operative rice mills for sale as rice, and the number of these rice mills increased from 4 in 1952 to 12 in 1954. By comparison, the total number of rice mills in Burma was over 700 (ILO 1955, p.83), and as a whole the share of co-operatives in paddy marketing and milling was minimal.

It was prescribed that half of the commission charged by the District Unions was returnable to the Procos concerned after five years. There was, however, no clear record of this in the accounts of either the District Unions or the Procos. Joint sale transactions did not pass through the regular accounts of the co-operatives, and no patronage refunds were paid, although there was provision for it in the by-laws. After 1957-58, when the Procos could not provide credit to their members, and when the private traders gave higher prices, the members sold little produce to the Procos. According to the Report of the Union Land and Agricultural Planning Commission, much of the crop was still transferred from the cultivators to local shop-keepers, money-lenders and brokers, at the threshing floor, in settlement of existing debts. It might be concluded that the District Unions and the Procos acted as marketing agents for the SAMB rather than contributing to their members' welfare. This was the main weakness of the scheme which as a result failed to maintain the loyalty of members.

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6Procos should have received their share of the commission immediately, and should have in turn secured the loyalty of their members by paying patronage refunds in respect of their transactions.

7Fundamentally, loyal support for the co-operative will depend on whether the co-operative society is meeting technical and/or economic needs.
4.2.4 The Co-operative Cotton Marketing Scheme

The joint sale of cotton by Procos was begun in 1952-53, and a Co-operative Cotton Marketing Board was established in the same year. It was an ad hoc body with the sole right to export cotton from Burma and was financed by a government loan of K 28.5 million (ILO 1955, p.84). The District Unions in the cotton-growing districts received advances from this sum through the Union of Burma Co-operative Wholesale Society (UBCWS). The District Unions purchased and ginned cotton and sent it to the UBCWS, and cotton prices were fixed annually on the basis of expected export prices. The District Unions and UBCWS each charged a commission of K 5 per bale of 400 lbs, and the UBCWS also developed the Price Stabilization Fund from the surplus made from the sale of cotton. In 1959, the then Government changed its policy and the monopoly right of purchase and export was withdrawn from the UBCWS after which it had to compete with private traders in the purchase and export of cotton. In 1959-60 the private cotton exporters' share was 7 thousand tons out of 15 thousand tons of total cotton exports. The co-operative had a tendency to rely more on Government patronage, which provided it with a monopoly position in the market. Cotton exports of the UBCWS are shown in Table 4.4.

During the period from late 1958 to early 1960, despite the drop in world cotton prices, the UBCWS stabilized the purchase price but at a loss of K 2.4 million paid out of the Price Stabilization Fund of K 14.3 accumulated since 1952-53 (Burma 1960, p.492). Ideally, the Co-operative Marketing Scheme had its base in the primary level of co-operatives comprising cultivators. It was said to aim at eliminating the role of middlemen, beginning at the village level, and stabilizing purchased prices may mean protection of the cotton-growers' interest. But, according to the following remark made by the Union Land and Agricultural Planning Commission, the cotton-growers' interest may not be protected as intended.

From actual working experience gained in the marketing of this crop it has been observed that there are still defects existing at the level between cotton producers and the Secondary Co-operative Societies. For instance, there still exists to a certain extent the middle-men who purchase the cotton from the producers and sell to the Co-operative Buying Depot (Burma 1956, p.620).
Table 4-4: Cotton Exports by the UBCWS

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume (000 tons)</th>
<th>Value (K million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952-53</td>
<td>22</td>
<td>55</td>
</tr>
<tr>
<td>1953-54</td>
<td>18</td>
<td>50</td>
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<tr>
<td>1954-55</td>
<td>16</td>
<td>51</td>
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<td>1955-56</td>
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<td>44</td>
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<tr>
<td>1956-57</td>
<td>13</td>
<td>32</td>
</tr>
<tr>
<td>1957-58</td>
<td>8</td>
<td>17</td>
</tr>
<tr>
<td>1958-59</td>
<td>9</td>
<td>18</td>
</tr>
<tr>
<td>1959-60</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>1960-61</td>
<td>n.a</td>
<td>n.a</td>
</tr>
</tbody>
</table>


Perhaps the cotton-growers could not fully enjoy the advantages provided by the UBCWS. The main weakness was the link between the cotton-growers and the purchasing secondary co-operatives. According to Professor Myint, although he does not mention the Co-operative Plan, the only direct benefit which the Burmese peasants obtained from the earlier development plans was the subsidized agricultural loans which covered only about 16 percent of their total short-term credit requirements (1977, p.40). As a whole, the Five Year Co-operative Plan was not fully carried through as announced, but there was considerable development in the co-operative movement, even though its contribution to rural development was small.

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8 This link could have been strengthened by strengthening the primary societies and by educating the members to understand the benefits of co-operation.
4.3 Lessons for Future Tasks

Under British administration, the co-operative movement aimed to free the small cultivator from his dependence on the money-lender. It failed to carry out this task and during the liquidation period every asset of defaulting members was seized and sold in pursuance of the principle of unlimited liability of the society. In the minds of cultivators, the word 'co-operative' became synonymous with the worst kind of economic disaster (Hlaing, forthcoming). However, the co-operative movement was saved and reestablished on a sound footing by the rent purchase system. Thanks to the rent purchase system, the farmers got back their lands and the societies got back the loans. This shows how a policy is important in realizing the objectives of the co-operative movement. If the policy is not compatible with the prevailing situation there can be adverse effects instead of achieving positive objectives.

When Burma regained its independence the Government again aimed at eliminating landlords and middlemen by forming co-operatives. Co-operation appears to have been chosen on grounds of both equity in income distribution and social justice. It may partially be due to nationalism as most of the middlemen at that time were Indians and Chinese, and a vast majority of the Burmese people were poor and ignorant and seemed incapable of promoting their own welfare by individual efforts. The Government appeared to have come to the conclusion that the most effective means of achieving the economic and social development of the people was through the instrument of co-operation. Nevertheless, the main obstacle was the problem of finding good leadership, as the poverty and illiteracy of the rural masses inhibited emergence of local leadership of good quality.

In most co-operative societies the executive committee members had not only lost their interest in the welfare of the community but were quite often found exploiting their positions for their own economic and political ends. Local co-operative societies were quite often used as stepping-stones to higher positions in political and economic life. This problem of economic and political exploitation by insincere leaders had adversely affected the reputation of the co-operative movement. The people used to say as a political satire that the
co-operatives were formed not for their benefit, but for the benefit of the executive committee members. What was needed were primary co-operatives with expanding memberships and competent management.

The deficiencies of the past can be avoided by an intensive education programme and by watchful government policies. It will be essential to develop the movement on a foundation of efficient and effective primaries. In order to accomplish a good foundation of primaries it will be necessary for the officers and staff of the Co-operative Department to establish more contact and close supervision, combined with educational measures, in order that the society committees will be in a position to manage their respective societies in a proper manner. It is also hoped that the literacy campaign launched in 1964 (to achieve total literacy in the whole country by 1990) will be helpful in fostering good leadership in rural areas. As regards secondary societies, if they are actually to represent the primaries it is important that any activities performed by the secondaries should be in the interests of the members of the primary societies, that is, the cultivators. However, past experiences highlight the necessity of emphasizing the education of people in co-operation and the strengthening of primary societies to achieve the goals of the co-operative movement.
On March 2, 1962, the Revolutionary Council came to power and vowed to reconstruct the social and economic life of all citizens through the Burmese Way to Socialism. The aim of the Revolutionary Council was to build a society of socialist justice in a socialist democratic state. In achieving the goal of socialism, the Revolutionary Council based its organization primarily on the strength of peasants and other working people. The constitution of the Burma Socialist Programme Party (Lanzin Party) was published and the Party was organized in July 1962. The Party remained a cadre party until 1971, when it was transformed into a mass national party.

5.1 The Socialist Revolution and the Peasants

The Revolutionary Council placed agrarian reform at the forefront of its activities. To formulate a programme for agrarian reform, Peasant Seminars were held at various points of the country from 1962 to 1965. At the seminars, the peasants commented and put forward suggestions on agriculture, husbandry, the land system, co-operative operations, social problems and so on. Representatives of the government departments gave replies or explanation. The seminars were, for the peasants, preliminary steps towards socialist democracy and were significant in providing opportunities for peasants to discuss the implementation of agricultural plans laid down by the Revolutionary Council. The seminars also gave the Revolutionary Council an opportunity to hear the matters presented by the peasants themselves and thereby to make modifications or to accelerate execution of work in the interest of peasants. In fact, the seminars linked the peasants with government.
On March 2, 1965, the delegates to the Peasant Seminar declared their wish to see the rapid formation of the People's Peasant Councils in order that they would be able to undertake their duties under the leadership of the Party. People's Peasant Councils (after 1974 known as the peasant aslayones), which had been established by 1967, had by February 1980 a membership of 7.6 million in 268 of 314 townships throughout the nation and in over 13,000 wards and village tracts (Steinberg 1981, p.33). The duties of the Peasant Councils are to build solidarity among the peasants and to help build such rural organizations as land committees, agricultural co-operatives and village bank committees. Their purpose is also to promote production and to enhance agriculture, husbandry and social services. The councils are open to all peasants and membership in the organization is not compulsory.

In addition to the above measures, all lands were declared to be owned by the State and the Revolutionary Council promulgated laws to improve the life of the peasants. The 1963 Tenancy Law, the 1963 Tenancy rules, the 1963 Law Protecting the Rights of the Peasants and 1965 Law Amending the Tenancy Law are the laws and rules which safeguard the interests of the peasants who work on the land. Since all lands were declared to be owned by the State, these laws and rules were in essence based on the right for peasants to work the land rather than to own the land. The 1963 Law Protecting the Rights of the Peasants prohibits the courts from attaching and seizing lands, animals and implements in payment of outstanding debts. The amendment to the Tenancy Act abolished all rents on farm lands and this legislation marked 'the destruction of the last line of landlordism' (BSPP 1966, p. 83). Land committees were set up to take action against the persons who broke the provisions of those laws. Local land committees are to decide land use and sales and to settle disputes in land ownership. Finally more agricultural loans were provided to the peasants to cover all their requirements.
5.2 Importance of Co-operatives in the Socialist Revolution

As regards co-operatives, beginning in November 1962 the liquidation of bogus societies was carried out. Some societies were doing little work and others were operating on an unsound financial basis or on a non-co-operative basis. Up to October 1966, 2,224 agricultural co-operatives with a membership of 556,302 were liquidated. On the other hand, the Revolutionary Government made efforts to form new socialist co-operatives as a mode of socialist ownership of the means of production.

Some idea of the components of the economy prior to the 1970 Co-operative Scheme can be derived from Table 5.1.

Table 5-1: Value of Gross Output and Services in 1966-67
(Kyat in millions)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Value</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>5660</td>
<td>38</td>
</tr>
<tr>
<td>Co-op</td>
<td>460</td>
<td>3</td>
</tr>
<tr>
<td>Private</td>
<td>8860</td>
<td>59</td>
</tr>
<tr>
<td>Total</td>
<td>14980</td>
<td>100</td>
</tr>
</tbody>
</table>


The table shows that the private sector constituted 59 percent of the value of gross output and services and dominated the national economy, while the state sector accounted for 38 percent and the co-operative sector 3 percent. In fact, this ownership ratio in gross output was true not only for 1966-67 but also for almost the whole decade before 1970. Between 1963-64 and 1969-70, the share of the private sector in gross output made up between 55 percent and 64 percent of gross output, while the share of the state sector ranged from 35 to 41 percent and the co-operative sector from 1 to 4 percent. This indicates that the private sector, despite the socialist goals, continued to play a dominant role in the national economy. The dominant role of the private sector hampered the development of the planned economy; in particular, small-scale producers scattering in the economy caused difficulties in implementing economic targets.
The socialist revolution was faced not only with the problem of socializing capitalist property by expropriating it but also with the problem of the socialist transformation of the property of small-scale producers. As expropriating the small-scale producers cannot be considered desirable, it was necessary to find a different means of drawing them into the socialist economy. Co-operatives provided such a means. The co-operative was regarded as the only socially-acceptable form of socializing small-scale producers. The co-operative was seen as a form of economic management which activates certain direct economic incentives by means of joint ownership. It was believed that these direct incentives could not be achieved to the same extent in an economy based on ownership by society as a whole. Further, the co-operative, because of the communal ownership of its property, can establish a firmer foundation of democratic economic management. Co-operative self-administration is the second specific feature of the co-operative movement. This feature also plays an important role in the process of constructing socialism as it means the participation of people in economic activities and decision-making. Therefore, the co-operative movement became a means whereby the small-scale sector could be integrated with the socialist economy. This is stated clearly in the Policy Declaration of the Revolutionary Council as follows:

In order to carry out socialist plans such vital means of production as agricultural and industrial production, distribution, transportation, communications, external trade, etc., will have to be nationalized. All such national means of production will have to be owned by the State or co-operative societies or collective unions. Amongst such ownership State ownership forms the main basis of socialist economy. State ownership means ownership by the whole nation itself, whereas ownership by co-operatives or collectives means group-ownership by respective concerns. But as all forms of ownership will have to operate within the framework of socialist national planning they are interdependent (Burma Socialist Programme Party 1963, p.45).

In accordance with the declaration, the co-operatives were required to implement the general economic and social tasks laid down by the socialist State. The consumers' co-operatives were formed in every ward of towns and cities and the village-tract co-operatives were formed in every village tract. Producers' co-operatives were formed in both agricultural and industrial sectors. Consumers' co-operatives and
village-tract co-operatives are based on location and producers' co-operatives on function. These primary societies within the townships were organized into Township Co-operative Societies whose major functions have been marketing of agricultural and industrial products of their own member societies, procurement of goods and services on their behalf, and also to promote, educate and supervise the primary co-operatives. Even though the societies are to perform their activities under the guidance of the BSPP they are purely socioeconomic, not political, organizations. They are supposed to play a significant role in the implementation of the State's economic plans according to socialist economic principles and function within the socialist democratic framework. They will lend support to the State Economic Enterprises by drawing the small-scale producers into the socialist planned economy and promoting national production. By the incorporation of the co-operative movement into the general framework of socialist construction, co-operative ownership became a particular form of socialist ownership. Thus, the co-operative sector is designated in Burma as the second pillar of the socialist economic system, the State sector being the first pillar, and the goals of the co-operative societies are to be set for the building of the socialist economy. The central theme of the co-operative movement is to meet the basic needs and social requirements of the people on the most reasonable terms, which is one of the basic principles of socialist economy.

5.3 The 1970 Co-operative Scheme and its Role

In 1970, the Union of Burma Co-operative Societies Law and Regulations were promulgated with a view to bringing forth co-operative economic activities that contribute to the socialist system. A comprehensive Co-operative Scheme was also announced to reorganize the entire co-operative movement. Under the scheme, members of co-operatives are to manage their own affairs and the active participation of all the members is expected. All business of the co-operatives is to be approved by the general meeting of the society, so that the members have to participate and decide their own course of action. Participation in the planning process has two facets. One is
that the annual development programmes are to be discussed with the member farmers through their representatives at the special meeting held at the township level. The other aspect is the drawing up of annual local development programmes at the village level. At the annual meeting of the society, the executive committee is to put forward a list of future tasks and a plan of action which will have been drawn up with the help of the Township Co-operative Department. The most pressing problems and the ways to overcome them will be discussed and approved by the members. The main objectives of the 1970 Co-operative Scheme are as follows:

1. To distribute the legitimate benefits of the co-operatives to the producers of goods and to the consumers for their relief and welfare by doing away with the middle-man and the exploitation by him,

2. To encourage the Union citizens to carry on trade through co-operative societies rather than individually in accordance with the necessity to trade in groups for advancement of the national economy, and

3. To encourage the peasants and workers to take active parts in business by forming co-operatives (Burma 1982?, p.22).

In fact, it is a scheme which stresses the need for the promotion of the role of the peasants and workers in the nation's economy through the organizational force of the co-operatives. The challenge to stop exploitation is a strong motivation for formation of co-operatives. If the objectives of the scheme are realized income inequality in rural areas would be reduced to some extent and the participation of rural people in economic activity and decision-making would be increased. Rural development will certainly be advanced through co-operative activities. The Government's agricultural policy has been to evolve and experiment with a socialist form of agricultural production compatible with the political, organizational, and economic conditions of the country without any detriment to agricultural productivity (Hlaing, forthcoming).

In 1972 the Fourth Central Committee Meeting of the Burma Socialist Programme Party (BSPP) formulated the Long-term and Short-term Economic Policies of the BSPP. Among them, the main agricultural co-operative policy was to set up successful pilot co-operative farms on an experimental basis wherever possible. In 1973
the BSPP laid down its Twenty Year Long-term Economic Plan in which the State sector was to produce 48 percent, the co-operative sector 26 percent and the private sector 26 percent of the GDP by the end of 1993-94. This is shown in Table 5.2.

Table 5-2: The Twenty Year Long-term Plan Target of Shares in GDP by State, Co-operative, and Private Sectors (Percentage)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Production</th>
<th>Services</th>
<th>Trade</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>39</td>
<td>67</td>
<td>54</td>
<td>48</td>
</tr>
<tr>
<td>Co-op</td>
<td>33</td>
<td>9</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>Private</td>
<td>28</td>
<td>24</td>
<td>21</td>
<td>26</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>


The Twenty Year Plan of the BSPP for co-operative sector is shown in Appendix Table 1. In the Twenty Year Plan, the co-operatives are expected to share more fully, by the end of 1993-94, in 14 of the 17 sectors of the national economy. In production targets, the co-operatives are to produce 50 percent of total production in agriculture, 50 percent in livestocks and fishery, 10 percent in forestry, 5 percent in mining, 20 percent in processing and manufacturing, 5 percent in power and 10 percent in construction. In service sectors, co-operatives are to have a 10 percent share in transportation, 5 percent in financial institutions, 20 percent in social services and 10 percent in rentals and other services. Finally in the trade sector, co-operatives are to have 25 percent of internal wholesale trade and 40 percent of internal retail trade. As agriculture is the mainstay of the national economy co-operatives will fail to meet the overall target of 26 percent of GDP unless they meet the 50 percent target in agriculture. In fact, it is a greater task for agricultural co-operatives since the small-holding system is still predominant in agriculture. The position of peasant families and land area cultivated is shown in Table 5.3. According to Table 5.3, 97.3 percent of peasant families are found to be working holdings under 20 acres, which together make up 85.2 percent of the total cultivated
area. In fact, they are the target groups of the co-operative farming movement.

Table 5-3: Position of Peasant Families and Land Area Cultivated (1983-84)

<table>
<thead>
<tr>
<th>Size of holding</th>
<th>Peasants Numbers (000)</th>
<th>Peasants Percentage</th>
<th>Acres</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5 acres</td>
<td>2643</td>
<td>61.4</td>
<td>6083</td>
<td>25.1</td>
</tr>
<tr>
<td>5 to 10 acres</td>
<td>1045</td>
<td>24.2</td>
<td>7478</td>
<td>30.9</td>
</tr>
<tr>
<td>10 to 20 acres</td>
<td>505</td>
<td>11.7</td>
<td>7068</td>
<td>29.2</td>
</tr>
<tr>
<td>20 to 50 acres</td>
<td>112</td>
<td>2.6</td>
<td>2991</td>
<td>12.4</td>
</tr>
<tr>
<td>50 to 100 acres</td>
<td>2</td>
<td>(0.1)</td>
<td>126</td>
<td>(0.6)</td>
</tr>
<tr>
<td>100 and above</td>
<td>1</td>
<td>(1.8)</td>
<td>446</td>
<td>(1.8)</td>
</tr>
<tr>
<td>Total</td>
<td>4308</td>
<td>100.0</td>
<td>24192</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Notes: Agricultural societies are included in the peasant families. Land area cultivated includes cultivated and fallow lands.
Source: Burma 1984, p.38.

5.4 Types of Agricultural Co-operatives

Under the 1970 Co-operative Scheme, there are three main types of agricultural co-operatives: agricultural producers' co-operatives, village-tract co-operatives, and co-operative farms. The agricultural producers' co-operatives are supply societies. They mainly supply animal feed. All farmers in the area are eligible for membership. The village-tract co-operatives are multi-purpose co-operatives. They function like consumers' co-operatives as well as producers' co-operatives. Their main functions are supplying consumer goods and farm inputs, making available tractors, water pumps and other farm implements to member farmers, marketing of agricultural produce, undertaking agricultural and livestock farming activities, and providing other social services. Almost every aspect of rural life is affected by the activities of this type of society in one way or another. The heads of families permanently residing in the area are
eligible for membership of village-tract co-operatives. From 1970 to 1974, stress was laid on the formation of village-tract co-operatives which were then required to facilitate the flow of consumer goods in the country.

Since 1974 co-operative farming has been actively encouraged. With a view to implementing the Twenty Year Long-term Plan, the Ministry of Co-operatives sent survey teams to all parts of the country to investigate and assess the feasibility of organizing co-operative farms. In accordance with the reports submitted by the survey teams, the Ministry of Co-operatives, in consultation with the allied Ministries and authorities, adopted the Pilot Project for Co-operative Farming in 1977. It aims to modernize agriculture and practise scientific methods of cultivation.

The pilot project emphasises establishing co-operative farms on cultivable waste land. There were 21,290 thousand acres of cultivable waste land and 5,233 thousand acres of fallow land in 1979-80 (Burma 1984, p. 37). In addition to former state colonies and alluvial islands, cultivable waste land and land reclaimed as a result of state irrigation works were proposed for co-operative agriculture. The main method of the pilot project to establish co-operative farming is persuasion of the farmers through demonstration of its advantages. Pilot co-operative farms were set up to demonstrate the advantages of co-operative farming to the farmers of the area and thus to act as catalytic agents for further expansion. If the farmers voluntarily surrender their individual rights of holding, these areas under cultivation can also be organized as co-operative farms. However, most of the co-operative farms are established on virgin lands on a voluntary basis. Where a group desires this form of undertaking it is given every encouragement. The progress of agricultural co-operatives is shown in Appendix Table 2.

Among the three types of agricultural co-operatives, the village-tract co-operatives have the largest membership. As these societies have been functioning for over ten years their members are expected to be acquainted with the workings of democratic institutions and good leadership is likely to be available. In these, if the government lends its active support (for example by providing loans and
required machinery) much can be expected of them for the co-operative farming movement.

As regards pilot co-operative farms, their number is increasing but at a very slow rate. Their membership apparently increased between 1978-79 and 1980-81; but it fell slightly after then, even though the number of societies increased. This indicates that while new societies are being formed some members are voluntarily withdrawing from the existing societies. This may be due to severe hardships and low productivity. Since most co-operative farms are established on virgin land they are usually remote from any town or village. Great efforts are needed to clear the land, and supplies of electricity and water for irrigation are non-existent or very costly. Transport is very primitive too. The members are required to put up with severe hardships until local conditions become more favourable to them. Co-operative farms on virgin land demand more capital, knowledge, and unity. As discussed in Chapter 2, the voluntary co-operative farms may have to be reorganized as a result of withdrawals and it may become impossible for them to set long-term targets for investments or production.

Co-operative farming is still in its infancy and has not taken firm root. In 1983-84 the number of co-operative farm members constituted only 2.3 percent of total peasant families. Co-operative principles may have little significance among peasants who are inadequately prepared either through education, tradition or experience for the implied responsibilities. These principles must be backed by the convincing evidence of superior performance.

5.5 Functions of Agricultural Co-operatives

Although there are different forms of agricultural co-operatives under the 1970 Co-operative Scheme, the main idea of each form is to promote agricultural production and to improve rural living conditions. They are not intended to be mere co-operative shops selling consumer goods and fertilizers at reduced prices. In addition to the services the co-operatives extend to their members, they are seen and used as institutions through which the economic and social policies of the state can be implemented. All agricultural co-operatives are socio-economic organizations whose basic task is economic development.
which in turn will bring forth the social services and amenities associated with the members' higher standard of living. They are to aim at all-round development in rural areas in accordance with BSPP guidelines and principles. Even some of the agricultural producers' co-operatives which are defined as supply societies are now undertaking farming activities. The major functions of each type of agricultural co-operative are reviewed in the following subsections.

5.5.1 Co-operative Agricultural Production

According to the requirements of the 1970 Co-operative Scheme, co-operative societies are to take up functions directly in the sphere of agricultural production as follows:

1. To carry out mutual aid on a voluntary basis wherever possible,

2. To undertake farming activities, sharing benefits in accordance with individual contributions, in such special areas as alluvial islands,

3. To undertake farming activities in such areas as government-reclaimed lands and state colonies, sharing benefits in accordance with individual contributions (Burma 1970, p.6).

Nevertheless, emphasis was laid on commodity distribution until 1973-74 when the BSPP laid down its Twenty Year Long-term Plan. After 1973-74 a few village-tract co-operatives began to voluntarily take up functions directly in the sphere of agricultural production. In the by-laws of the village-tract co-operatives, one of the main tasks to be carried out by them is 'to produce agricultural and farm produce, marine products, animal and animal products and other related goods according to the plans or through consultation with State organizations concerned' (Burma 1972, p.2). In spite of this provision, the sown areas of co-operatives were too small to be significant before 1976-77 when the pilot co-operative farms were introduced on an experimental basis. This is consistent with the argument in Chapter 2 that the spontaneous transformation of simple forms of co-operation into co-operative farms can not be expected even though some especially progressive co-operatives have been taking up functions directly in the sphere of agricultural production. Most peasants have been unwilling to pool their land (which is technically owned by the State). They have a
sentimental attachment to their land and are not convinced of the material benefits of co-operative farming. Only State initiative and local leadership can give momentum to co-operative farming.

Sown area and agricultural production of co-operatives began to be relatively significant after 1976-77. Comparison of total sown area in agriculture and sown area of co-operatives from 1976-77 to 1983-84 is shown in Table 5.4.

Table 5-4: Total Sown Area in Agriculture and Sown Area of Co-operatives (thousand acres)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Sown Area</th>
<th>Sown Area of Co-ops</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>23163</td>
<td>17</td>
<td>0.07</td>
</tr>
<tr>
<td>1977-78</td>
<td>23579</td>
<td>210</td>
<td>0.89</td>
</tr>
<tr>
<td>1978-79</td>
<td>24368</td>
<td>245</td>
<td>1.01</td>
</tr>
<tr>
<td>1979-80</td>
<td>23304</td>
<td>317</td>
<td>1.36</td>
</tr>
<tr>
<td>1980-81</td>
<td>24805</td>
<td>315</td>
<td>1.27</td>
</tr>
<tr>
<td>1981-82</td>
<td>25123</td>
<td>668</td>
<td>2.66</td>
</tr>
<tr>
<td>1982-83</td>
<td>24488</td>
<td>868</td>
<td>3.54</td>
</tr>
<tr>
<td>1983-84</td>
<td>25208</td>
<td>1065</td>
<td>4.22</td>
</tr>
</tbody>
</table>

Sources: Burma 1984, p. 10; Hlaing, forthcoming.

The table indicates that there was a jump in the sown area of the co-operatives between 1976-77 and 1977-78, and then a gradual increase up to 1980-81. After 1980-81 there was rapid increase in sown area of co-operatives. The average annual rate of increase of area sown by co-operatives was 14.5 percent between 1977-78 and 1980-81 and 50.1 percent between 1980-81 and 1983-84. The rapid increase in sown area of co-operatives after 1980-81 was due to the two-pronged approach adopted by the Ministry of Co-operatives. The first method was to form integrated co-operative farm and the second method was to organize small farmers in the existing village-tract co-operatives to participate in the co-operative farming movement. Until 1980-81, the co-operative farming movement stressed establishing co-operative farms.
on cultivable waste land. After then, the authorities concerned came
to realize that it was hard to meet the target set in the Twenty Year
Plan only by establishing co-operative farms on cultivable waste land
and that it was necessary to revitalize the village-tract co-operatives
as production units. This indicates that the traditional attitudes of
the peasants were not rigid and inflexible; with proper education,
guidance and motivation, they were capable of adopting a novel
institutionsuch as co-operative farming. Without successfully drawing
the majority of small farmers into the co-operative farming movement it
would be impossible to make rapid progress in the movement.

Even though the rate of increase of co-operative sown area became
impressive after 1980-81, the co-operative share in total sown area in
agriculture was not considered satisfactory. It accounted for only 4.2
percent of total sown area in 1983-84. The majority of the land is
under individual private ownership and management. As a result, the
economy of small-holders is still economically dominant. The
contribution to the value of agricultural net output by ownership is
shown as Appendix Table 3. Even in 1983-84 the co-operative share
constituted only 2.6 percent of the value of agricultural net output.
This was too small to meet the target set in the Twenty Year Plan.
Taking an optimistic point of view, this indicates that the authorities
concerned did not blindly chase the target figure and lends support to
the view that the movement was based on the voluntary participation of
farmers.

When we compare the co-operative share of total sown area and
co-operative share in contribution to the value of the agricultural net
output, as in Table 5.5, the latter is found to be less than the
former. This suggests that agricultural productivity on co-operative
farms in not as high as on individual farms. This is mainly due to the
fact that most co-operative farms are established on cultivable waste
land and fallow land. Naturally, these types of land are not as
fertile as land already under cultivation. They also have deficiencies
such as lack of water for irrigation, discussed above. Pooled land
also is found to be generally of poor quality or uneconomic.

Good leadership and material incentives are required to attract
more and more farmers to participate in the movement. Co-operative
Table 5-5: Comparison of Shares in Total Sown Area and Value of Agricultural Net Output by Co-operatives (percentage)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share in Total Sown Area</th>
<th>Share in Value of Net Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>0.1</td>
<td>0.1</td>
</tr>
<tr>
<td>1977-78</td>
<td>0.9</td>
<td>0.4</td>
</tr>
<tr>
<td>1978-79</td>
<td>1.0</td>
<td>0.9</td>
</tr>
<tr>
<td>1979-80</td>
<td>1.4</td>
<td>1.1</td>
</tr>
<tr>
<td>1980-81</td>
<td>1.3</td>
<td>1.1</td>
</tr>
<tr>
<td>1981-82</td>
<td>2.7</td>
<td>2.1</td>
</tr>
<tr>
<td>1982-83</td>
<td>3.5</td>
<td>2.3</td>
</tr>
<tr>
<td>1983-84</td>
<td>4.2</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Sources: As Table 5.4 and Appendix Table 3.

Farms have to rely on good management and modern technology to increase agricultural productivity in order that they can attract more farmers. Even though the overall agricultural productivity of co-operatives seems to be unsatisfactory, some co-operative farms have claimed State awards for their exemplary performances in the production of crops. For example, Myindaw Village Co-operative Farm at Wetlet township in Sagaing Division claimed the Division's hero prize with a yield of 56 baskets of dhal (gram) from an acre in 1980-81, the Division's second prize with 55 baskets in 1981-82 and the FAO prize with 112 baskets for 1982-83. Thanks to the scientific methods the society applied, the yield from the farm had shot up from 40-60 baskets per acre to over 100 baskets per acre.¹ Such societies succeeded in bringing about extensive as well as intensive utilization of land. Nevertheless, the proportion of the societies using the land extensively and intensively has been small. In 1982-83, 1,481 agricultural co-operatives in 221

¹1 basket of gram=69 lbs.
Townships had taken up activities directly in the sphere of agricultural production. The different types of agricultural co-operatives undertaking co-operative farming activities in 1982-83 by State/Division are shown as Appendix Table 4. Co-operative farms must be a new type of farm, of greater size and of stronger financial and economic structure, in which appropriate and effective use can be made of modern technical achievements. However, most co-operative farms appear to have failed to take full advantage of their large scale and appear to have experienced management disadvantages. Myanma Agricultural Bank observed that, except for a few, many of its client farm co-operatives could not function at all as described in the project proposals that had been submitted along with loan applications (Hlaing, forthcoming). The terms of long-term loans ranged from three to ten years, depending on the purposes. For example, the term is up to 10 years for building of production premises while it is only up to three years for perennial crops. However, of 34 co-operative farms which received long-term credits from the Bank only 8 had repaid the loans by the due date. Out of 7.5 million kyats actually provided, only 3.3 of the 5.6 million kyats due for repayment were repaid. Therefore, in September 1984, overdue loans of co-operative farms amounted to 2.3 million kyats. Some of the societies were faced with yearly losses.

Nevertheless, from the economic point of view, a fact of major importance is that co-operative agriculture began to develop 'mixed farming', that is farming which avoided exclusive dependence on one or two crops and instead branched out into various directions to combine several types of product, for instance, intensive agriculture (vegetables, pig breeding) alongside grain growing. The present multiple cropping patterns can be summarised in four groups: multiple cropping before paddy such as pre-monsoon jute, early sesame, and pre-monsoon cotton (long staple); multiple cropping after paddy such as groundnuts, sunflowers, pulses and maize; multiple cropping in dry land with or without irrigation such as pulses after early sesame, wheat after early sesame, cotton after onion, and late sesame after maize; and mixed cropping such as groundnuts and pigeon peas, pigeon peas and cotton (short staple) and sesame and peas (Hlaing, forthcoming). The
co-operatives are cultivating over 20 kinds of crops including paddy, groundnut, sesamum, and wheat as major crops and the others as minor crops. Yearly production of various crops by the agricultural co-operatives from 1976-77 through 1982-83 is shown in Appendix Table 5. In addition, in 1983-84 12 co-operative farms were engaged in inland fisheries, 3 in production and marketing of marine fish, and 14 in production and marketing of fish from fish ponds. Although accurate information is not available, it is certain that many societies were also undertaking livestock farming activities under the guidance of the BSPP. Mixed farming represents a new type of farm management which promises important advantages for Burmese agriculture in general and co-operative members in particular. A farm with several branches can contribute significantly to the income of the farmers. It is less vulnerable to trends of slump and prosperity and increases economic stability. Mixed farming also helps with the solution of a number of problems such as the provision of steady employment all the year round, and the supply of agricultural produce for home consumption on farms.

5.5.2 Co-operative Modernization of Agriculture

One of the main arguments for co-operativization is modernization of agriculture. By the term 'modernization of agriculture' we mean the application of modern, scientific methods in agriculture including mechanization. As sown acreage has increased more and more, especially the multiple cropping area, it has been necessary to use more tractors, power tillers and water pumps. Machinery is needed to save time and enable rapid cultivating, planting and harvesting of a field in the multiple cropping system. The co-operative farming movement provided a means for diminishing large-scale ownership by individuals without sacrificing the advantages of large production units which were essential for the application of modern technology. Moreover, the village-tract co-operatives bridged the gap between small units and modern technology by hiring tractors, water pumps and other farm implements to their members. Tractors, water pumps and other farm implements owned by the co-operatives are shown in Appendix Table 6.

\(^2\)Mixed and multiple cropping area rose from 2826 thousand acres (12.6 percent of total sown area) in 1970-71 to 4253 thousand acres (17.15 percent of total sown area) in 1980-81.
In 1981-82, out of 9285 tractors owned by the Agricultural Mechanization Department and the co-operative societies, the number of tractors used for agriculture was 6128 which tilled 2418 thousand acres. The proportion of acres tilled by the tractors to the net sown area was only 5.73 percent in 1981-82. It appears that tractors and other implements were being used not to substitute for labour and draught animals, but to help farmers do better, heavier and faster work in agriculture. The slow rate of expansion in number of co-operative tractors and other implements is consistent with this.

Table 5-6: Comparison of Tractors and Draught Cattle used in Agriculture

<table>
<thead>
<tr>
<th>Year</th>
<th>Tractors (No)</th>
<th>Draught Cattle (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Co-op</td>
<td>State</td>
</tr>
<tr>
<td>1970-71</td>
<td>1533</td>
<td>6365</td>
</tr>
<tr>
<td>1971-72</td>
<td>1970</td>
<td>6265</td>
</tr>
<tr>
<td>1972-73</td>
<td>2495</td>
<td>6265</td>
</tr>
<tr>
<td>1973-74</td>
<td>2759</td>
<td>4186</td>
</tr>
<tr>
<td>1974-75</td>
<td>3021</td>
<td>4186</td>
</tr>
<tr>
<td>1975-76</td>
<td>3335</td>
<td>4386</td>
</tr>
<tr>
<td>1976-77</td>
<td>3450</td>
<td>4912</td>
</tr>
<tr>
<td>1977-78</td>
<td>3570</td>
<td>4603</td>
</tr>
<tr>
<td>1978-79</td>
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<tr>
<td>1982-83</td>
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</tr>
<tr>
<td>1983-84</td>
<td>3813</td>
<td>5500</td>
</tr>
</tbody>
</table>

Note: The number of tractors owned by the State is shown the same in 1972-73 as 1971-72, and in 1974-75 as 1973-74 due to lack of data.
Sources: Burma, Various issues of Report to The Pyithu Hluttaw; Hlaing, forthcoming.

Table 5.6 shows that the number of tractors and the number of...
draught cattle used in agriculture was increasing year after year. If the tractors were substituting significantly for draught cattle and labour, the number of cattle would obviously drop. This was not the case. The process of mechanization seems to have been too slow to keep up with increasing sown area. Draught cattle still played a major role in cultivation. The process of mechanization does not seem to have aggravated the rural unemployment problems in Burma. Instead, it improved the intensity of cultivation and perhaps increased labour use. As discussed in Chapter 2, of the two effects of technological policy, emphasis seems to have been laid on the additive effect rather than on the substitutive effect in mechanizing Burmese agriculture.

It is true that the creation of large operational units demands investments in labour-displacing mechanization. Because of biological nature of agricultural production processes, operations are spread out in time and space. Managers of large operational units often find it attractive to use capital-intensive technologies to minimize the problems of supervising a large work force. But the co-operative movement in Burma seems to have minimized that problem by decentralized decision-making. In the case of societies with large membership, each section of work is entrusted to a separate sub-committee; in societies in which membership is small, each member is assigned some responsibility with a view to developing initiative and leadership and to ensuring actual participation in the work. According to Hlaing (forthcoming), there will be overseers and section leaders of the production units even in the Advanced Agricultural Producers' Co-operatives which are being planned for the near future. Techniques chosen may be labour-intensive for a considerable period of time. As discussed in Chapter 2, in co-operative farming societies, the members gain greater control over the type of technology that will be used and they are more likely to preserve employment opportunities for themselves and their children.

Although adequate information is not available, the slow rate of mechanization supports this claim. Co-operative farming seems to encourage application of modern agricultural practices based on biological-chemical innovations rather than mechanization. Its other main technique of improving production is to reorganize farm labour
(Hlaing, forthcoming). The State also encourages the application of modern scientific methods in agriculture rather than mechanization. In Burma, higher yields per acre for paddy, dhal, groundnuts, etc. were achieved mainly by the switch from the traditional methods to scientific methods. Eleven winners of FAO prize for higher crop yields in 1983, including Myindaw Co-operative Farm, stated that they achieved higher yields from their farms by the application of modern scientific methods (Mg Thet Zaw (Mingaladon) 1983, p.18).

Among the improved practices, the use of chemical fertilizers and improved seeds were by far the most important. Chemical fertilizers were procured not only locally but also from abroad. In 1983-84, farmers used a total of 406 thousand metric tons of chemical fertilizers (Burma 1984, p.33) and almost all of these were distributed through the agricultural co-operatives. The amount of cattle manure was inadequate to the farmers' requirements and the need for chemical fertilizers was imperative. The co-operatives ensured fair distribution among the farmers. As regards seeds, the farmers usually reserved enough seeds out of their produce. But when the need arose for purchasing seeds the societies would join the Township Co-operative Society and receive the required seeds. Quality seeds such as high yielding varieties were also often distributed through the co-operatives. In addition, some co-operatives were found to be undertaking storage of improved seeds (Hlaing, forthcoming). A specific and separate cultivation of seed was entrusted to suitable member farmers and the seeds so obtained were stored in domestic containers which were sealed to prevent damage through moisture, contamination and pests.

However, co-operative mechanization of agriculture is found to be unsatisfactory. Utilization of co-operative tractors and water-pumps is shown in Appendix Table 7 and 8. Even though the number of tractors owned by co-operatives increased from 804 in 1970-71 to 3813 in 1983-84, the number of idle tractors also increased rapidly. The number of idle tractors rose from 4.2 percent of total tractors in 1970-71 to 40.8 percent in 1983-84. In co-operative societies, training was not sufficient for proper maintenance and minor repairs. In addition, diesel oil became a major constraint in the running of tractors, and
spare parts were not readily available even at the tractor stations of the Agricultural Mechanization Department. Several varieties of spare parts were required and foreign exchange may be a limiting factor.

As a result, total tillage acres dropped year after year and the tillage rate fluctuated from 43 acres to 443 acres per tractor. The fall in tillage acre per tractor was partly due to the use of tractors other than in agriculture. In 1982-83, the co-operative tractors tilled only 98,960 acres, and, out of the total income of 13.7 thousand Kyats, 3.2 thousand Kyats (23.7 percent) was from agriculture and the rest was from non-agriculture. Although the tillage acre per tractor was decreasing, income per tractor is found to be increasing, from 4,073 Kyats in 1970-71 to 6,549 Kyats in 1983-84. This was partly due to higher charges and partly due to non-agricultural income.

The co-operative water-pumps were in the same situation as tractors. The number of idle water-pumps increased from 3.6 percent of total water-pumps in 1970-71 to 22.3 percent in 1983-84 and used hours per pump fluctuated from 19 hours to 318 hours. In 1982-83, co-operative water-pumps irrigated 64,675 acres, and out of the total income of the water pumps only 1.7 thousand Kyats (36.8 percent) was from agriculture. To modernize agriculture, it was necessary to make more efficient use of existing tractors and water-pumps on one hand and to procure more tractors and water-pumps on the other. The cost-effectiveness of mechanized agriculture in the co-operative sector under present conditions needs examination. As discussed in Chapter 2, the tendency for small farms to have an efficiency advantage over large farms may be offset by 'differentiating factors' such as a policy environment in which co-operative farms have access to credit and tractors at artificially low prices. But the concentration of scarce resources of capital, foreign exchange, and trained manpower in a sub-sector of co-operative farms should not be achieved at the expense of depriving the great majority of the farm population of inputs and supporting services.
5.5.3 Co-operative Marketing of Agricultural Produce

The success of agriculture as a business, or the money returns from the year's operations, depends not only upon the quantity of produce, but also on the cost of production and the sale value realised. The village-tract co-operatives help in securing for the farmers as large a money return as possible. According to the instructions of the Co-operative Department, the societies can contract individual farmers to sell their products and can advance up to 70 percent of the contracted value, which means an advance purchase. Advances are to be paid three times; at the time of contract a payment of 40 percent of contracted value can be made on sown acreage, another 15 percent on plantation and a final 15 percent on harvest. The full amount is to be paid out when the total contracted quantity is delivered. But in practice, before 1979-80, most contracts were made after crops were planted. The main reason was that the Township Co-operative Societies contracted from the primary co-operatives late to avoid losses as far as possible which might occur by the failure of crops. The link between the agricultural co-operatives and the secondary Township Co-operatives was weak and as a consequence the link between the primary societies and their members were also weak. Most members were reluctant to sell their produce to the society.

The private traders from the towns have been touring the villages to buy crops, especially groundnuts, sesame and wheat. They usually offer slightly higher prices than the contracted prices of the society and they are prepared to take both good and bad quality stock, whereas the societies endeavour to maintain the standard of the produce. Working hours and the rules of co-operatives are more rigid than those of the traders. Though the traders may be exploiters they are courteous. The personal relationship between the trader and the farmers is also a reason for their success. In some areas, trader's storage facilities and transportation are better. Concerned with immediate profits, members are apt to feel that they are not benefiting by co-operative crop procurement. In fact, to provide competition, co-operatives must be at least as efficient as private concerns in the same field. On the other hand, the best basis for success in co-operative marketing is a membership which really understands what
the society is trying to do and which is prepared to be loyal to it. Moreover, in the absence of co-operative societies, traders would not offer prices as high as in the existence of the societies. We can therefore say that the co-operatives have increased the bargaining power of farmers.

Rice procurement and marketing is a state monopoly in Burma. However, the co-operatives buy paddy, store, mill, and resell rice in localities not covered by the State Economic Enterprises. For example, all paddy buying in the Shan State are undertaken by co-operatives. In addition, some co-operatives purchase rural products to fulfil the industrial needs of the State sector. Some indicators are cutch for oil well drilling, bamboo for paper making, wheat and dhal (gram). This has increased employment and income of rural people in the respective areas.

In the last decade, co-operatives have usually been able to purchase less than half of planned value, as shown in Appendix Table 9. Co-operative crop procurement for selected major crops in 1982-83 is also shown in Appendix Table 10. The co-operatives have been buying over 20 kinds of crops, depending local production. As regards crop procurement, the primary societies have mainly relied on the initiatives of the Township Co-operative Societies. The Township Co-operative Societies had some deficiencies to overcome. In those societies, co-operative leadership lacked commercial knowledge and business acumen. Individual undertakings almost disappeared under the name of collective leadership. The use of price mechanism was often neglected. The lack of transportation and storage facilities was also a serious problem for the co-operatives. The situation was aggravated by the failure of the co-operatives to provide rural people with the industrial products for which they showed a particular preference. Moreover, the Township Co-operative Societies often opened their own buying depots ignoring the vitality of the existing village-tract co-operatives. Consequently individual contracts of the village societies were dishonoured (Hlaing, forthcoming).

But since 1979-80, the township co-operatives have been instructed to do business mainly through the primary co-operatives, which in turn deal with individual members. In addition, the societies have been
guided to approach farmers, well before planting, with the offer of necessary inputs, both direct and indirect. The cash and commodity requirements of the members are to be met beforehand. A floating price system has been also adopted to benefit the farmers. Under this system, initial price guarantees the cost of production plus a reasonable profit margin, and as prevailing prices fluctuates the co-operatives are required to adjust their own to match. In addition, profits are to be shared at 25 percent each between the township society and the primaries and the rest is to be refunded to the member farmers on the basis of their crop delivery.

However, much remains to be settled in the co-operative marketing of agricultural produce. Business and financial management have to be disseminated down to the primary level and put into actual practice. More storage and transportation facilities will have to be provided wherever necessary and processing plants need to be installed to enable farmers to benefit from finished goods prices instead of raw material prices. Vertical integration of agricultural produce production, procession and marketing is found to be still weak. The principle of sharing profits from finished products (such as the cooking oil, wheat flour) between the societies and the members who delivered the crops was not implemented in full. To attract more farmers, they must fully benefit from the floating price system. On the other hand, the co-operatives should try to distribute more industrial products by joining industrial producers' co-operatives. In this way they can offer the peasants an inducement to increase production and salable surplus. The peasants will certainly respond positively to economic incentives.3

5.5.4 Supplying Consumer Goods and Agricultural Inputs

Village-tract co-operatives were formed mainly for the purpose of enabling rural people to purchase all of their requirements at low cost. After some years of experience of direct government distribution, co-operatives were given responsibility by the Government in distributing essential commodities. In 1970, the Trade Council closed down Township Trade Shops and handed over retail distribution of

3 As regards 'the mechanics of peasant expansion' see Myint, 1977, pp.31-33.
imported goods and State factory products to the co-operatives, including rice distribution. To ensure fair distribution of goods and services, for both producers and consumers, the government has relied heavily on the co-operative movement.

But most village-tract co-operatives were distributing only specified quotas of goods to rural consumers. They purchased goods including farm implements from the State outlets through Township Co-operatives and redistributed them to their members. Since 1979-80, there have been improvements in the working methods and styles of the societies. In commodity distribution, the majority of societies have progressed from the stage of merely retailing State-supplied commodities and to a point where they can obtain necessary goods on their own and distribute them to consumers. A considerable number of societies have managed to find and distribute more supplies of basic food stuff and commodities needed for the kitchen, such as fish sauce, dried chilli and spices. Active societies have not only opened and run shops but have also gone round making house-to-house sales. Such undertakings have been greeted well by the consuming public. As there are still private shop-keepers, the societies must try to be at least as efficient as their competitors.

Village societies purchase most goods in large lots at wholesale rates from the township co-operative societies and the private producers and then sell them to their members in small lots at retail rates. The difference between the wholesale and the retail prices is later passed on to members after expenses are met. This refund usually accrues to members at the end of the year, after the annual meeting. Members of some societies are putting back their rebates and refunds on purchase into the societies as shares. Appendix Table 11 (in nominal terms) shows that share capital, trading capital and turnover of the societies have been increasing year after year.

Besides consumer goods, chemical fertilizers, animal feeds, seeds and farm implements are also distributed by the societies. Distribution of chemical fertilizers and seeds has been mentioned above. Animal feeds generally distributed are bran, prawn dust and broken oil cakes. In the case of farm implements, distribution is restricted largely to the implements such as the iron ploughs and shares. But small tools
and appliances such as knives, sickles, and ropes are also available from the societies. If charges for fertilizers, improved tools and other factors of production remain high, the full effects of other policies favourable to farm production and rural prosperity can not be achieved. The co-operative movement has made good headway in rural retail trade.

But retail trade is found to be more difficult in rural areas than in urban areas due to the buying habits of rural people. Rural consumers buying habits, which have been conditioned for decades by the private traders, involve taking goods on credit and paying for them by delivering quantities of rural produce from time to time. Furthermore, goods are not purchased by weight or volume but in terms of quantities of money. For example, a person asks for 2 Kyats worth of cooking oil rather than 10 ticals (one-tenth of a viss) even though a viss of cooking oil must cost 20 Kyats. This leads to considerable over-charging by private shop-keepers. For private shop-keepers, even when weights or measures are used, there is systematic cheating by giving short weight or inferior quality. The co-operative shops therefore have not only to educate people to buy for cash but they have to make effective propaganda to convince consumers that they offer better services, quantitatively and qualitatively. The real income of farmers should therefore be greater even if the level of expenditure remains the same.

If the staff in the co-operative shops adopt a bureaucratic or 'take it or leave it' attitude, then this will antagonise the rural people and defeat the whole movement. Regarding the problem of cash purchase, the advance purchase system of agricultural produce by co-operatives will help solve this to a certain extent. In brief, the co-operative organizers will not only have to educate the rural people regarding the principles of organizing and managing co-operative shops but they will also have to teach them new buying habits.
5.5.5 Health and Other Services

In Burma, co-operatives are regarded as a vehicle for social improvement. The co-operatives are expected to undertake social activities when they become financially strong. Some agricultural co-operatives have successfully set up dispensaries and local hospitals for the rural people in the respective areas. In 1982-83, there were 544 co-operative dispensaries and 3 local hospital with 1022 doctors and 692 nurses, which were run by all types of societies, such as township co-operatives, consumers' co-operatives and agricultural co-operatives (Central Co-operative Society 1984, p.27). Among them, 74 dispensaries and 3 local hospitals were run by agricultural co-operatives. In addition, some village societies supply electricity to domestic consumers in their areas. Figures for 1982-83 show that 15 societies were supplying electricity to 1482 houses (Central Co-operative Society 1984, p.30). Rural electrification is important not only for higher living standards but also for rural industries. As regards education, many societies were major contributors in setting up 'additional or attached schools' to the main schools provided for their locality. In fact, agricultural co-operatives have been effectively supplementing State educational and medical facilities in rural areas. Moreover, 467 societies were participating in transportation services in 1982-83, especially in ferry transport. In 1982-83 co-operative societies owned 273 powered barges and 831 non-powered barges. The more the societies succeed in economic enterprises the greater will be the social benefits accruing from their profits.
CHAPTER 6

CONCLUSION

It is clear from the foregoing chapters that Burma is a country with a long history of rural co-operatives and with new trends in the co-operative movement. The trend has recently been to move from lower to higher stages of cooperation - from credit provision to marketing, and from marketing to farming activities. The new trends in the movement created new problems in that the management of supply, marketing and consumers' co-operatives is much more difficult than that of agricultural credit societies. The latest development is in the field of co-operative farming which involves joint efforts in cultivation of land leading to pooling of cultivation rights and to group farming. This joint management of land poses many psychological and operational problems which have to be handled with care and patience. Co-operative farming is the most complex type of co-operative to organize and represents the most advanced stage of co-operation. In its full development it embraces every aspect of agricultural production and rural life.

Nevertheless, throughout their history, co-operatives have not played the special role they could have. The colonial regime had destructive effects on the farmers' genuine co-operative spirit and the failure of the movement seriously damaged the image of co-operatives. Experience has repeatedly shown that whenever a project failed, co-operative work in general has been discredited and could not be revived for a considerable time. For rural people, the mere profession of co-operative principles had little appeal. Principles had to be backed by convincing evidence of superior performance.

Under the 1970 Co-operative Scheme, co-operatives have become
engaged in most aspects of the rural economy and they have made some headway in commodity distribution and in providing social services. But even with respect to commodity distribution, we have argued that success requires that more efforts be put into distributing consumer goods over and above those from State outlets. The farmer's ability to convert sale proceeds into real income must also be satisfactory. The development of industrial producers' co-operatives can support this task to a large extent. In fact, combining agriculture with rural industry may be one of the most promising developments of agricultural co-operatives, especially of co-operative farms. While agriculture would remain the principal concern of co-operative farms, they should also endeavour to set up and develop rural industries based on local resources and manpower as a source of income and employment. Providing the industrial products preferred by rural people will also encourage farmers to sell more of their crops to the co-operatives. But agricultural co-operative societies will require technical guidance and assistance for financing cottage industry schemes.

As regards crop procurement, although co-operatives are to support the State Economic Enterprises, they should avoid acting as subordinate agencies of those enterprises. They must combine service to their members and support for the State Economic Enterprises. Essentially, they need to rely more on their own initiatives.

With respect to agricultural production, we have seen that co-operatives have increased agricultural production by reclamation of land and have to some extent improved agricultural practices on the farms through the introduction of improved seeds, chemical fertilizers, and the practice of green manuring. However, with a few exceptions, yields per acre of co-operative farms have not been high enough to attract more farmers. As a first step towards the latter, co-operative farms need small irrigation works which are both simple in design and can be constructed cheaply by sparing use of materials, like cement and structural steel, which are in short supply. The precise control of water is essential for the spread of high-yielding varieties and for greater use of multiple cropping. In addition, co-operative farms could very usefully undertake extensive field testing of new techniques. For this purpose, they should set aside small plots of land for
experimentation. If the experiment is successful, the new technique can be profitably adopted; if it fails, the consequences are not catastrophic. No-one would be heavily dependent for food on the outcome of experiments. In co-operatives, the risks of innovation can be spread and transfer of technology can be rapid. To increase agricultural productivity, technological change as well as structural change is necessary. Co-operatives are uniquely placed to exploit the benefits of all of these improved agricultural practices.

Unless the benefits of co-operativisation are immediately obvious to the rural people, either progress would have to be gradual or a certain degree of compulsion would have to be applied. Those who join co-operative farms have definite expectations of raising their material welfare. If economic success is not forthcoming, rural people will remain reluctant to join co-operative farms. The need to achieve higher productivity and output are of paramount importance. To do this, co-operative farms need to mechanize and increase the absorption of modern inputs. But the technology of high yielding varieties with intensive use of irrigation water and fertilisers calls for considerable amounts of working capital. Co-operative farms will have to acquire loans from the government and they themselves will have to save at a high rate to finance the major part of their investment requirements.

We have argued that the use of improved practices has been restrained largely by the unavailability of adequate resources, technical guidance and managerial skill. In the societies organized around progressive cultivators, i.e cultivators with a high level of consciousness and education, improved practices have been more rapidly and fully adopted while in the absence of good leadership and where the members lacked technical guidance, they continued to use traditional techniques. Success seems to depend on the ability and zeal of leaders living among the people, leaders who understand their individual needs and know how to gain their confidence. All the executive committee members of co-operative farms, one-third of whom are nominated by the government, should be such local leaders who are well accepted and recognized by their people. The initiatives of local leaders who are familiar with the particular conditions in the localities should not be
hampered by central authorities so long as their actions serve the general objectives of the movement.

On the other hand, governmental initiative and aid in building the co-operative movement is an indispensable instrument of progress, at least for the time being. Co-operatives need state help from the start to maturity, i.e. to the point where they have the motivation and material potentialities for self-administration. Since the process of transformation from small-scale subsistence farming to co-operative farming calls for a change in attitudes there is an urgent necessity for planned education and training of members. Education is a continuing factor in co-operative work and should encourage members to regard the co-operative farm as their own property and responsibility. It is necessary to foster community feeling and the sense of ownership that is essential to the maintenance of enthusiasm and to effect the self-discipline without which the scheme would collapse. Co-operative farming societies will have to struggle against certain adverse psychological reactions to proposals for pooling land. It must be made clear to the members that co-operative farms are their own farms, that all the equipment and buildings on the farms are theirs, and that the harder they work the greater their return.

Creating appropriate incentives in the process of agricultural transformation is one of the most important issues. This issue is crucial for inducing faster growth in co-operative production, which at present accounts for only a small fraction of total agricultural output. Since private ownership of land still predominates, it is important to find means other than mere moral suasion. There must be a proper system of material incentives. For remuneration of labour, the piece-rate system is preferable to the time-rate system because the defined norms and rewards are more effective in raising the rate of attendance and productive efficiency. A major problem of the time-rate system is that when it is applied in politically backward co-operatives, it is slow and inefficient in motivating individuals to undertake collective work to the best of their capacities. Some members tend to refuse to undertake heavier and dirtier tasks. A high level of consciousness among members is required for successful application of the time-rate system. An incentive system must reward
those who are able to produce more with greater efficiency in relation to those who are less productive and less efficient. There must be adequate incentives in the form of rewards for differential production performance to generate a high enough rate of growth. On the other hand, differential rewards should be kept within the limits of tolerable income inequality. Norms on the lines of traditional standards and prevalent practices in the locality are proper and welcome. In a farming society, the allocation of work, assessment of performance by each member, and determination of remuneration are of utmost importance to the success of the venture.

As an economic organization co-operative farms demand considerable managerial skill. Farms of a fairly large size involving crop planning, periodic allocation of work, understanding and operation of norms, and distribution of wages and profit, can not be managed by untrained farmers. It will be necessary to secure a sufficient number of agriculturalists with management ability capable of controlling a large labour force. More trained personnel are required and training for management is an absolute necessity. Training courses to create specialized cadres of managers for co-operative farms should be undertaken by the Co-operative Department. The co-operative farming movement should not fail for lack of trained personnel.

It will also be important for the officers and staff of the Co-operative Department to establish more contact with local co-operatives. Special officers in charge of co-operative farming societies should have considerable acquaintance with the conditions of the co-operative farms and sufficient knowledge and experience of improved local practices in cultivation. Co-operatives would benefit from frequent visits, especially in drawing up their plans for production and investment. Auditing of the functions of the society should take place more often than annually. All the agencies and officers of the other concerned departments are expected to provide necessary technical guidance. It is hoped that co-ordination with the concerned departments will be successfully carried out through the various levels of People's Councils. As regards secondary societies such as Township Co-operative Societies, their activities (for example, provision of various supplies, transport, packaging, and marketing) should support the productive activities of co-operative farms.
The main prerequisite for effective assistance is the study of the feasibility and adaptability of the co-operative farming programme. It will be necessary to find out what specific needs exist and are recognised by the respective people. Before forming a new society, the soil and climatic conditions should be carefully studied and areas frequently subjected to floods, droughts and distress should not be selected for launching the programme. If lands were to be pooled, lands should be pooled for a minimum period of five years. Withdrawal during this period might be allowed only in exceptional circumstances, e.g. a member leaving the village. Although feasibility studies are costly and time-consuming they may prevent the loss of much more money and time on utopian and illusory co-operative farms initiated without preparation.

The organization of co-operative farming and its efficient working are interrelated. The encouragement of group participation in farming activities such as applying fertilizers and spraying pesticides should be treated as a preliminary step for the promotion of co-operative farming, and the efficient and successful working of the co-operative farms will give momentum to the movement. Development of co-operative farms will be most effective if carried out step by step. The pace of change should not be forced. Success will be more certain if peasants are encouraged to form co-operative farms according to the principle of voluntariness and mutual benefit. No society should be organized in haste and the people should have a real desire and need to form such a society. Forcing the pace of co-operativization through intimidation or compulsion will not only fail, but could also have disastrous effects on agricultural production. Attaining co-operativization gradually by convincing farmers of the need for it, is, in the long run, by far the most effective policy. In the implementation of the co-operative farming programme, emphasis should be on quality. If the quality is good, the programme will gather strength, the numbers will multiply and the movement will gain momentum. However, if it takes too long to organize farmers the movement may lose momentum and stagnation may gradually set in. To organize farmers, the co-operative farming movement must rely largely on the various levels of the BSPP and the peasants' aslayones. Without their help formation of voluntary farming societies will be almost impossible.
## APPENDIX A
### TABLES

Table 1: The Twenty Year Plan for the Co-operative Sector
(at 1969-70 constant producers prices, Kyats in million)

<table>
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<th>Particulars</th>
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<td>Rentals and</td>
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<td>-</td>
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<td>Total Net Output</td>
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Table 2: Progress of Agricultural Co-operative Societies

<table>
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<td>5 n.a</td>
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<td>12485 4120</td>
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<td>12427 4169</td>
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<td>1977-78</td>
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<td>12495 4329</td>
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<td>1983-84</td>
<td>95 22</td>
<td>12516 4351</td>
<td>937 97</td>
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</table>

Notes: #Agricultural and multi-purpose co-operative societies formed prior to the 1970 Co-operative Scheme are included. *Pilot co-operative farms are included. Sources: Burma, Various issues of Report to the Pyithu Hluttaw.
Table 3: Contributions to the Value of Agricultural Net Output by Ownership, (at 1969 constant producers' prices)

<table>
<thead>
<tr>
<th>Year</th>
<th>State</th>
<th>Co-op</th>
<th>Private</th>
<th>Total</th>
<th>Percentage</th>
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<td>Kyat in (000) thousands</td>
<td>Kyat in (000) thousands</td>
<td>Kyat in (000) thousands</td>
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<td>-</td>
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<td>45</td>
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<td>1975-76</td>
<td>48</td>
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<td>31171</td>
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<td>1017</td>
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<td>50300</td>
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<td>174</td>
<td>1379</td>
<td>52535</td>
<td>54088</td>
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Notes: * Less than one lakh.
# Less than 0.1 percent.
Sources: Burma, Various issues of the Report to the Pyithu Hluttaw.
Table 4: Agricultural Co-operatives Undertaking Farming Activities in 1982-83 by State/Division

<table>
<thead>
<tr>
<th>State/Division</th>
<th>Co-op Farm</th>
<th>Producers' Co-op</th>
<th>Village-tract Co-op</th>
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<td>Kachin</td>
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<td>Karen</td>
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<td>-</td>
<td>6</td>
</tr>
<tr>
<td>Chin</td>
<td>16</td>
<td>-</td>
<td>9</td>
</tr>
<tr>
<td>Sagaing</td>
<td>145</td>
<td>6</td>
<td>67</td>
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<tr>
<td>Tenasserim</td>
<td>14</td>
<td>2</td>
<td>10</td>
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<tr>
<td>Pegu</td>
<td>136</td>
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<tr>
<td>Magwe</td>
<td>101</td>
<td>-</td>
<td>56</td>
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<tr>
<td>Mandalay</td>
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<td>62</td>
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<td>Mon</td>
<td>12</td>
<td>-</td>
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<td>Arakan</td>
<td>106</td>
<td>-</td>
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<td>Rangoon</td>
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<tr>
<td>Shan</td>
<td>21</td>
<td>-</td>
<td>28</td>
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<tr>
<td>Irrawaddy</td>
<td>124</td>
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<td>98</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>900</strong></td>
<td><strong>24</strong></td>
<td><strong>557</strong></td>
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Note: There is a slight difference in the number of co-operative farms in this table compared with that in Appendix Table 2. The figures in this table are provisional while actual in Appendix Table 2.

Source: Central Co-operative Society 1984, p.69.
Table 5: Value of Production of Various Crops by Co-operatives 1976-77 to 1982-83 (Kyat in thousands, current prices)

<table>
<thead>
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<th></th>
<th></th>
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<td>179</td>
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<td>94</td>
<td>37</td>
<td>455</td>
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<td>179</td>
<td>2001</td>
<td>179</td>
<td>2001</td>
<td>179</td>
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<tr>
<td>Maize</td>
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<td>165</td>
<td>2001</td>
<td>179</td>
<td>2001</td>
<td>179</td>
<td>2001</td>
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<tr>
<td>Sugarcane</td>
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<td>2001</td>
<td>179</td>
<td>2001</td>
<td>179</td>
<td>2001</td>
<td>179</td>
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<td>862</td>
<td>862</td>
<td>862</td>
<td>862</td>
<td>862</td>
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<td>Field pea</td>
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<td>6</td>
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<td>189</td>
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<td>Jute</td>
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<td>133</td>
<td>133</td>
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<td>133</td>
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<td>51</td>
<td>51</td>
<td>51</td>
<td>51</td>
<td>51</td>
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<tr>
<td>Others</td>
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</table>

Total       | 7409.8  | 35683   | 92283   | 120560  | 13990   | 299744  | 343974  |

Source: Hlaing, forthcoming.
Table 6: Tractors, Water Pumps and Farm Implements
Owned by Co-operative Societies (Number)

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<td>3787</td>
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<td>3508</td>
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<td>3525</td>
<td>3538</td>
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<td>Disc Harrow</td>
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<td>3660</td>
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<td>3691</td>
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<td>8</td>
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<td>978</td>
<td>985</td>
<td>993</td>
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<td>7501</td>
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<td>7433</td>
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Table 7: Utilization of Co-operative Tractors, 1970-71 to 1983-84

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<tr>
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<th>Income(Kyat)</th>
<th>Tillage Acres</th>
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<td></td>
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<td>Idle Total</td>
<td>Per Tractor</td>
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<td>65 1533</td>
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<td>1971-72</td>
<td>1730</td>
<td>240 1970</td>
<td>9423</td>
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<td>447 2495</td>
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<td>1556 3813</td>
<td>14782</td>
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Source: Hlaing, forthcoming.
<table>
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<th>Year</th>
<th>Water Pumps</th>
<th>Income(Kyat)</th>
<th>Used Hours</th>
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<td>Total</td>
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Sources: Hlaing, forthcoming; Burma 1984, p.51; Central Co-operative Society 1984, p.10
Table 9: Comparison of Plan Target and Implementation in Co-operative Crop Procurement (Kyat in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Plan Target</th>
<th>Implementation</th>
<th>Percent</th>
</tr>
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<tr>
<td>1971-72</td>
<td>96279</td>
<td>48310</td>
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<td>1972-73</td>
<td>830595</td>
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Table 10: Co-operative Crop Procurement in 1982-83 (selected major crops)*

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<tr>
<th>Crops</th>
<th>Unit</th>
<th>Plan Target Qty (000)</th>
<th>Plan Target Value K(000)</th>
<th>Procurement Qty (000)</th>
<th>Procurement Value K(000)</th>
<th>Percent Qty Value</th>
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<tr>
<td>Sesamum</td>
<td>Basket</td>
<td>2480</td>
<td>229771</td>
<td>756</td>
<td>79625</td>
<td>30.5</td>
</tr>
<tr>
<td>Chilli</td>
<td>Viss</td>
<td>2085</td>
<td>23676</td>
<td>407</td>
<td>3686</td>
<td>19.5</td>
</tr>
<tr>
<td>Onion</td>
<td>Viss</td>
<td>5689</td>
<td>6956</td>
<td>457</td>
<td>838</td>
<td>8.0</td>
</tr>
<tr>
<td>Gram</td>
<td>Basket</td>
<td>1199</td>
<td>52133</td>
<td>678</td>
<td>33621</td>
<td>56.5</td>
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<tr>
<td>Wheat</td>
<td>Basket</td>
<td>634</td>
<td>36264</td>
<td>836</td>
<td>49887</td>
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</tr>
<tr>
<td>Paddy</td>
<td>Basket</td>
<td>3688</td>
<td>43983</td>
<td>2458</td>
<td>27851</td>
<td>66.7</td>
</tr>
<tr>
<td>Maize</td>
<td>Basket</td>
<td>18</td>
<td>418</td>
<td>10</td>
<td>236</td>
<td>55.7</td>
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<tr>
<td>Sunflower</td>
<td>Basket</td>
<td>1036</td>
<td>40059</td>
<td>85</td>
<td>3039</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Note: * Co-operative societies are marketing over twenty kinds of crop depending on local production.
Source: Hlaing, forthcoming.
Table 11: Share Capital, Trading Capital and Turnover of Village-tract Cooperatives (Kyat in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share Capital</th>
<th>Trading Capital</th>
<th>Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>34.3</td>
<td>250.9</td>
<td>728.9</td>
</tr>
<tr>
<td>1971-72</td>
<td>49.7</td>
<td>235.4</td>
<td>729.3</td>
</tr>
<tr>
<td>1972-73</td>
<td>55.2</td>
<td>374.6</td>
<td>873.3</td>
</tr>
<tr>
<td>1973-74</td>
<td>55.4</td>
<td>379.0</td>
<td>873.5</td>
</tr>
<tr>
<td>1974-75</td>
<td>61.2</td>
<td>392.5</td>
<td>966.6</td>
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<tr>
<td>1975-76</td>
<td>65.6</td>
<td>425.4</td>
<td>1450.2</td>
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<tr>
<td>1976-77</td>
<td>69.1</td>
<td>508.1</td>
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<td>563.5</td>
<td>1621.1</td>
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<td>588.5</td>
<td>1217.2</td>
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<td>73.7</td>
<td>617.9</td>
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<td>1682.8</td>
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<tr>
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<td>1754.2</td>
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<td>761.3</td>
<td>1771.7</td>
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<tr>
<td>1983-84</td>
<td>76.3</td>
<td>776.5</td>
<td>1798.3</td>
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