

**INTERNATIONAL SEMINAR ON AGRICULTURAL COOPERATIVES IN ASIA:
INNOVATIONS AND OPPORTUNITIES FOR THE 21ST CENTURY**

FFTC-NACF, SEOUL, KOREA, SEPTEMBER 11-15

Venue:	National Agricultural Cooperative Federation (NACF) Seoul, Korea
Countries represented:	Indonesia, Japan, Korea, Malaysia, Philippines, Taiwan ROC, Thailand, and Vietnam (8)
Papers presented:	1 keynote speaker, 4 resource/case papers, and 8 country papers
Participants:	13 speakers, 3 FFTC staff, and about 10 local participants
Sponsors:	Food and Fertilizer Technology Center (FFTC) National Agricultural Cooperative Federation (NACF)

Seminar Highlights

The challenge for agricultural cooperatives to play a vital role in enhancing farmers' economy and livelihood has become even greater at the dawn of the 21st century, amid new issues and forces shaping their external and internal environments. Some of these forces include structural changes in agriculture such as demographic changes and diversification of member-farmers, highly-advanced technological innovations, large-scale marketing companies dominating merchandising in a highly competitive environment and amid changing consumer preferences, shifting international agricultural trade regime, and globalization of financial market. All these factors have left many agricultural cooperatives in Asia groping to find their cooperative practices in an increasingly harsh economy, and resource-poor small-scale farmers adapting their economic activities to external signals and realigning their meager resources carefully.

The primary goal of this seminar was to serve as a venue to promote the sharing of knowledge and information on successful innovative cooperative practices in Asia in view of this critical transition period. It intended to facilitate the exchange of various points of views and practical experiences in cooperativism, particularly in transforming their organizational structure, business models and legal identities for small-scale farmers to enable them to overcome financial obstacles, exploit niche-markets, and achieve valuable agricultural goals such as food self-sufficiency, food safety, and sustainable agriculture in their respective countries. It also attempted to deliberate on emerging needs and challenges to be addressed, the diversification of the role of agricultural cooperative, and its future direction in Asia in the 21st century.

During the two-day paper presentations and discussions, 13 speakers representing 8 countries in Asia (comprised of 1 keynote speaker, 4 resource/case papers, and 8 country papers) shared and exchanged information, knowledge and

experiences on different agricultural cooperative perspectives in the 21st century. Following are the highlights of the discussion and some recommendations drawn from the seminar:

Highlights of Presentations/Discussion

1. There is no unique or one system/model of agricultural cooperative applicable to all countries in Asia, as each country's cooperative mission, structure and practices very much depend on the social, economic, and political condition and realities, as well as on the needs and requirements of the agricultural farming sector, the dynamic environment influencing changes in agricultural production and marketing trends, and the existing public policies.
 - ✍ In some developing countries in Asia, there is strong government-cooperative relationship. This cooperative type is expected to serve as a tool for improving the economic well-being of the farming community and help boost the rural quality of life. Also, the main cooperative goal/principle is poverty alleviation, where the organization is seen as a means to protect the economically weak, resource farmers. However, the strong government presence sometimes translates to political interference and government misuse, impeding the growth of cooperativism.
 - ✍ In more developed countries, a cooperative is a business operation owned and controlled by the people who use its services, such as credit and banking, marketing, processing, and welfare, and whose benefits are shared by the users whose memberships are voluntary. These cooperatives are user-driven businesses that have contributed greatly to the development of productive and scientific-based agricultural systems. They have played an important role in strengthening market access and competitive returns, and have adapted their operations to agricultural technological innovations, such as agricultural mechanization and new information systems.
 - ✍ Other types of cooperatives are based on purpose, such as single-purpose (commodity-based such as livestock/dairy cooperatives), or multi-purpose (those providing the whole range of cooperative services such as credit and banking, provision of agricultural marketing, etc.). The type of cooperative that a country may adopt depends on the condition of the farming community and the reality existing in that country, based on farmers' requirements. The existence of diversified farming now calls for diversified types of cooperatives.

2. There are external and internal forces now influencing the farm economy in many Asian countries that require cooperatives to make efforts to address in order to meet member needs. These forces, and suggestions about how to adjust to them, constitute a major part of this two-day deliberation. The intent of this activity was to capture issues and lessons through the experiences of

cooperative practitioners and service providers, and identify steps for improving the practice of cooperativism.

Issues and forces shaping the external environment of cooperatives

- Changing farm demographics: Much of the cooperative system in the past was built to support traditional/ small-scale/ family farming. Now, cooperatives must adapt to a more diverse membership that requires different services, products, and structures.
- Role of consumer: Consumer now drives today's market; they prefer wholesome, tasty, convenient, and safe food products at the lowest possible price. The competition among various elements of the retail food sector to satisfy consumers is leading them to impose new business practices on cooperatives and other suppliers of food products (like value-addition, branding/packaging, strategic export channels, etc.)
- Changing food supply chain: As part of their response to the growth of consumer power, food processors and retailers are extending their influence over market channel, assuring product quality and customer satisfaction, low prices, and minimizing food risks. This creates a competitive environment, such that cooperatives must evaluate where they stand in both the production and marketing aspect of the changing food supply chain.
- Globalization: Cooperatives must position themselves to help producers compete globally under the highly competitive international conditions.
- Policy environment of each country
 - Price-income policy
 - Environmental regulations

Issues and forces shaping the internal environment of cooperatives

- Limited ability to accumulate equity
- Diverging member characteristics and needs (heterogeneity)
- Board effectiveness
- Lack of cooperative focus of management
- Growing emphasis on value-added activity

Priorities for shaping future cooperatives

- Strengthening cooperative leadership
 - Growth and cooperation among cooperatives
 - Functioning in a global market
 - Management improvement (equity accumulation, improving membership equity, etc.)
 - Structural alternatives (new generation cooperatives, alliances and joint ventures, etc.)
 - Market innovations
- Education
Public policy

3. General characteristics of Asian agricultural cooperatives. Based on the country papers, there are two kinds of cooperative principles in Asia with regards to financing capital: one is based on traditional consumer cooperative principle; the other one is based on the US agricultural cooperative system. The first one does not allow a cooperative to have its own capital because if it has the capital then they will only consider management of capital rather than addressing the needs and requirements of members. This type does not allow capital sharing among members, and there is no dividend for members. The other type based on the US system, allows accumulation of capital to support farmers' marketing and purchasing inputs. This considers the fact that agricultural cooperatives require huge expenditures for utilities, and capital mobilization will be able to address this requirement.
4. The country papers seem to indicate that there have not been enough innovations in agricultural cooperatives adopted by Asian countries to respond to the external and internal forces amid the new environment. Some exceptional cases were noted, but not enough in terms of identifying steps for improving the practice of cooperativism for the betterment of Asian agriculture, as well in finding individual, organizational and policy implications to address recently emerging needs and challenges, and the diversifying functions of and future direction for Asian agricultural cooperatives in the 21st century.

Asian Agricultural Cooperatives can be described in terms of:

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| Organization: | No radical change in <ol style="list-style-type: none"> a) membership system b) organizational structure <p>However, there has been a reasonable decrease in the number of agricultural cooperatives through the years because of changes in business environment.</p> |
| Business: | There are no remarkable successful cases of transformation of business systems among countries, as they are still in the process of exploring suitable business models. |
| Management: | There is an urgent need to change management system and structure in terms of credit and banking business, marketing business and extension support services. However, credit and banking system changes comparatively faster relative to the other sectors. Responses to challenges are made at an individual cooperative level, rather than at institutional or policy change level. |

5. Finally, it is hoped that this activity will serve as a catalyst for further thought and discussion on how farmer cooperatives can remain viable and relevant amid the new agricultural environment in Asia.