

## **COURSE GUIDE**

### **CRD 208 NIGERIAN AND INTERNATIONAL COOPERATIVES**

**Course Team** Lawal Kamaldeen, A. A. PhD (Course Developer/Writer) – NOUN  
Prof. J. O. Y. Aihonsu (Course Editor) - OOUA  
Lawal Kamaldeen, A. A. Ph.D – (HOD) - NOUN  
Dr Ishola, Timothy O. (Dean) – NOUN



**NATIONAL OPEN UNIVERSITY OF NIGERIA**

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National Open University of Nigeria  
Headquarters  
University Village  
Plot 91, Cadastral Zone  
Nnamdi Azikiwe Expressway  
Jabi, Abuja

Lagos Office  
14/16 Ahmadu Bello Way  
Victoria Island, Lagos

e-mail: [centralinfo@nou.edu.ng](mailto:centralinfo@nou.edu.ng)

URL: [www.nou.edu.ng](http://www.nou.edu.ng)

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## INTRODUCTION

The origin and growth of Nigeria and International Cooperative are as old as the human race. The course is to acquaint learners with the pattern of growth and development of cooperative from Ancient Egyptian to the present day and provide analytical expression and tools for comparison. More so, the concept engulfed and spread gradually from Europe and to another part of the world. Presently cooperative is a form of business organisation which is an international movement. Finally, cooperative managers need to understand the concept, principles of cooperative in other parts of the world and take decisions bothering on running cooperative business management successfully.

## COURSE AIMS

The overall aim of the course can be summarised as introducing you to the pattern of growth and development of cooperative from Ancient Egyptian to the present day and provide analytical expression and tools for comparing basic concepts, lay down principles, scope and approaches of cooperative management.

This will be achieved by:

- i. Introducing you to the origin and evolution of cooperative.
- ii. Treating with you, constraint, success and future of cooperative in Europe, America, Asia and Africa- Nigeria.

## COURSE OBJECTIVES

To achieve the broad aims set out above, the course objective of the separate units of the course also has its objectives at the beginning of the unit to help you focus better. Once you have completed the course, it is expected that you focus better.

## STRUCTURE OF THE COURSE

This is a two-credit unit course made up of 16 study units covering the following:

### MODULE 1

Unit 1	The Origin and Growth of Cooperatives
Unit 2	The Works of Notable Scholars in Development of Cooperatives
Unit 3	The Pattern of Development of Cooperatives in Europe, Asia, America and Nigeria
Unit 4	The Pattern of Development of Cooperatives in Asia

- Unit 5            The Pattern of Development of Cooperatives in Africa-Nigeria

## **MODULE 2**

- Unit 1            Importance of Agricultural Cooperatives in Britain, Demark, Norway and Sweden  
 Unit 2            Success of Consumers Cooperative Movement in Britain  
 Unit 3            History of Agricultural Cooperatives in U.S.A (America)  
 Unit 4            Problems of Agricultural Cooperatives in U S A  
 Unit 5            The Role Played by Cooperatives in Indian Development

## **MODULE 3**

- Unit 1            Historical Development of the Nigerian Cooperative Movement, its Achievement, Constraints and Future Prospects  
 Unit 2            Modern and Traditional Pattern of Cooperation in Nigeria  
 Unit 3            Structure of the Cooperative Movement in Nigeria  
 Unit 4            The Activities of the Following: ANCE, NACCUN, NACMO, CFN, and NCISN  
 Unit 5            The Role of International Agency for Cooperative Development (ICD), World Council of Credit Unions – WOCCU and IFAP – International Federation of Agricultural Producers, International Fund for Agricultural Development (IFAD)  
 Unit 6            History, Objectives and the Importance of the International Cooperative Alliance

## **ASSESSMENT**

There will be two aspects to the assessment of the course:

Tutor-Marked Assignment

Written examination of three (3) hours duration.

## **TUTOR MARKED ASSESSMENT**

In attempting the assignments, you are expected to utilise the information gathered during the course. Each assignment, which you will find at the end of each unit, should be submitted to your assigned tutor at a date to be decided by the National Open Nigeria authority, on a separate file. The assignment will count for 30% of the total course mark.

## **EXAMINATION**

The final examination for the course will be of two-hour duration and account for 70% of the total course grade. Typically, all areas of the course will be assessed during the examination.

## **SUMMARY**

Cooperative managers of any societies need to be provided information and understanding of the concepts and lay down principles of cooperative, learn from different countries and international cooperatives association and organisation the contributing factors to their failure and success. Thus CRD 208 Nigerian and International Cooperatives are designed in such a way to make learners in providing relevant information and knowledge that will help them in cooperative business and management.

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**MODULE 1**

- Unit 1 The Origin and Growth of Cooperatives
- Unit 2 The Works of Notable Scholars in Development of Cooperatives
- Unit 3 The Pattern of Development of Cooperatives in Europe, Asia, America and Nigeria
- Unit 4 The Pattern of Development of Cooperatives in Asia
- Unit 5 The Pattern of Development of Cooperatives in Africa-Nigeria

**UNIT 1 THE ORIGIN AND GROWTH OF COOPERATIVES****CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Origin and Growth of Cooperatives and Notable Works of Scholars
  - 3.2 Babylonian Era
  - 3.3 The Early Greek Era between 3000 and 325 B.C.
  - 3.4 Ancient Chinese Associations, 200 B.C.
  - 3.5 The Roman Era, 510 B.C to 475 A.D.
  - 3.6 The Early Christian Era, 1-313 A.D.
  - 3.7 The Rise of Islam 600-1490 A.D.
  - 3.8 The Middle Age, 500-1400 A.D.
  - 3.9 Renaissance (Recovery) Period 1400-1750 A.D.
    - 3.9.1 The Industrial Revolution 1750-1944 A.D.
    - 3.9.2 The Atomic and Space Age in 1945 to Present day
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

**1.0 INTRODUCTION**

The origin and growth of cooperatives are as old as the human race. Cooperatives started as an urban consumer retail enterprise but later spread to rural areas amongst farmers. During the latter part of the 19th century, the concept engulfed several parts of Europe and North America. Early in the 20th century, the cooperative movement spread to Indian and gradually to other Asian and African countries, mainly



courtesy of the colonial administrators. Presently, the cooperative form of business organisation is an international movement, although some associate it with the socialist or communist country (Roy, 1980).

## 2.0 OBJECTIVES

At the end of this unit, you will be able to:

- discuss the pattern of development of cooperatives right from Ancient Egyptian to present day
- analyse different cooperative approaches.

## 3.0 MAIN CONTENT

### 3.1 Origin and Growth of Cooperation and Notable Works of Scholars

The evolution and growth of cooperation can be traced down to the **Ancient Egyptian Era between (3100 and 1150 BC)** as the main period of development. Cooperatives have evolved from a religion-oriented institution to a more formalised business-oriented organisation serving economic rather than spiritual needs. The nature of development was craftsmen and artisan associations (Roy, 1981; Lawal and Oludimu, 2011).

### 3.2 Babylonian Era

Roy (1981) noted that between 3000 and 540 BC, some agricultural lease had cooperative features history and documents indicating that the tenant farmers in cooperatives kept strict account of their enterprises instead of hiring themselves out to large estate owners. They were enabled by law to achieve economic freedom and independence. Also, the prevalence of credit transaction among the ancient Babylonians doubtless led to the creation of loan societies to assist the small farmers and artisans who sought to protect the poor and weak against the injustices that were rampant among the powerful rich.

### 3.3 The Early Greek Era between 3000 B.C. to 325 B.C.

This era was created for cults to bury dead members in accordance with the rituals of their religion and assured its members of a burial place decent for the funeral. It also aimed at promoting mutual assistance. The religion and cultural association are known as "Orglonen" and "Thiasi" burial benefit societies. The services are to assist members travelling with care and information, to aid the poor to temporarily improvise and

permitted to operate in freedom and safety as observed by Henderson (1969) and Roy (1981).

### **3.4 Ancient Chinese Associations (200 B.C.)**

The nature of development was loan and credit association during the Hon Dynasty before the Christian era, when Pong Koong, a rich and influential Chinese, instituted the first money-lending society bearing cooperative features. Roy (1981), enumerated the characteristic features as:

1. A limited society, all members contributed equal amounts.
2. A system of fines for non-payment of contribution to the fund.
3. Competitive bids for loans.
4. Equal division of profits.
5. Payment of dues, borrowed sum in instalments and interest at stated intervals.

### **3.5 The Roman Era, 510 B.C to 475 A.D.**

The nature of development was craftsmen's and burials benefits. The cooperative craftsmen organisation called "Collegia" which appeared as early as the beginning of old Roman history. Henderson (1969) and Roy (1981), noted that the history credits the legendary king Numa Pompilus that established eight trade colleges such as carpenters, coppersmiths dyers, fullers, goldsmiths, flute players, shoemakers and pot makers they possessed no legal facilities for settling question regarding production, price and labour relations. They were suppressed by the Roman ruler and later restored during Julies Ceasar regime.

### **3.6 The Early Christian Era, 1 A.D.-313 A.D.**

The nature of development was Artisan societies with burial benefits. Henderson (1969), Degler (1970) and Roy (1981) were of the same opinion that the birth of Jesus Christ constituted significant event in world history. The Roman industry consisted of craftsmen and plantation agriculture known as *latifindal* were dominant. The peasant proprietors surrender their land to the wealthy landlord in return for the right to remain on the land as tenants although rental payment had to be made to the landlords. While agriculture cooperatives had no basis upon which to develop and expand, the cooperative features existing was that of burial cooperatives for funerals expenses of members paid from funds obtained by common subscriptions.

### **3.7 The Rise of Islam 600 A.D.-1490 A.D.**

Roy (1981) posited that the nature of development stressed cooperation as part of faith, based on the Holy Quran and Sunnah (practice) of Prophet Muhammed (S.A.W). He was dissatisfied with conducts of trade and other business in and around Mecca. Muhammed (S.A.W) received supernatural instructions embodied in the Quran. Part of Quran emphasises the significance of cooperative, profit sharing based on capital contributed, no or zero interest, justice and equal distribution of wealth/income for the mere sake of wealth as a matter of faith. The cooperative was also looked upon as a unifying institution to better the economic, social and political conditions in the community. The essence of Islamic teaching certainly lent strong support to the cooperative idea. Roy (1980) observation was supported by Lawal and Oludimu (2011) that zero-interest cooperative society exists and operates without any hindrance.

#### **3.7.1 The Middle Age, 500-1400 A.D.**

Gilds developed and originated from Roman industrial colleges when Swiss dairymen were reported to have made cheese cooperative and anticipated the modern consumer cooperatives. The objective of gilds was to secure the positions of member craftsmen price. Hours of labour and quality of output were carefully prescribed. Gilds afforded a centre of social activities and maintained common funds which were drawn upon to pay funeral expenses of their members' allowances to those physically incapacitated and grants to widows for a period of two years as observed by Henderson, (1969) and Roy (1981).

#### **3.7.2 Renaissance (Recovery) Period 1400-1750 A.D.**

The nature of development was joint-stock companies (Roy 1981). The commercial revolution was an integral feature of the joint-stock companies developed because of the need for a large sum of capital for voyages of exploration and colonisation. The joint-stock received a charter from the king, which fixed responsibility, stated rights and obligations for the protection of stock and profit in the proportion of the capital contributed. The type of cooperative ventures was mutual fire insurance companies.

### **3.7.3 The Industrial Revolution 1750-1944 A.D.**

The nature of development was technological advancement, agricultural and communication improvement, development of capitalism, the emergence of the modern factory that led to increase in production and mechanisation, increase consumption and improved living standards and lowered price. The factory system led to exploitation of workers, creation of social problems and abandonment of agriculture, economic cycle of inflation and deflation, unemployment, conflict and more violent and frequent industrial accidents. Based on all the issues raised, two schools of thought emerged concerning the best way to solve problems and canvassing their views on the industrial revolution. The first group comprises of Karl Marx, Friedrich Engels and others while the second group are Rochdale, Friedrich Raiffeisen and others. The mutual fire associations, Mercantilism was demolished, capitalism evolved and became modified to Penney Capitalists (1769) A. D. with the weavers organising a consumer cooperative then. Rochdale Society in 1844 A. D. tagged modern era of cooperative that also began with consumer cooperative farm and credit cooperative where early development to the rise of RAIFFEISEN credit societies in 1860 A.D. that developed consumer credit unions.

### **3.7.4 The Atomic and Space Age**

This age started from 1945 to the present day. This is known as the second century of cooperative, which is much more significant throughout the world. Since then, cooperatives had spread all over the globe (Roy 1980).

## **4.0 CONCLUSION**

This unit explained the pattern of development of cooperatives right from Ancient Egyptian, Babylonian Era, Early Greek Era, Ancient Chinese Association, The Roman Era, The Early Christian Era, Barbaric Age, The Rise of Islam, The Middle age, Renaissance period, Industrial Revolution, The Atomic and Space Age to the present day as the analytical tools for comparison among cooperative approaches.

## **5.0 SUMMARY**

The historical development of cooperatives will enhance our understanding of the concept of cooperative, reasons for joining and establishing, various hindrance and solution provided at different stages of development.

## 6.0 TUTOR-MARKED ASSIGNMENT

Discuss the origin and development of cooperatives from ancient Egyptian to the present day.

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## **UNIT 2 THE WORKS OF NOTABLE SCHOLARS IN DEVELOPMENT OF COOPERATIVES**

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  - 3.3 Friedrich Raiffeisen (1818-1888)
  - 3.4 Hermann Schultz-Delizsch (1808-1883)
  - 3.5 Rochdale Equitable Pioneers Society and the Successes of Cooperatives
  - 3.6 The Term 'Hungry Forties'
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In unit 1, we discussed the historical antecedent of cooperative development. There is a need to understand the contributions of notable scholars in the development of cooperatives. This will assist you and to fully understand the idea of cooperative development. The notable work of scholars in cooperative such as Robert Owen Robert, William King Charles Fourier, Friedrich Raiffeisen, Hermann Schultz-Delizsch, Rochdale were discussed.

### **2.0 OBJECTIVES**

By the end of this unit, you will be able to:

- discuss the contributions of notable scholars in other parts of the world to the development of cooperative
- explain the term "hungry forties."

### **3.0 MAIN CONTENT**

#### **3.1 Notable works of Scholars in Cooperative Such as Robert Owen (1771-1858).**

Cooperative philosophy was not as wholesome as some writers have suggested. Owenism was like socialism than true cooperative. He believed that education could make a society to progress, so he established a school in his factory at New Lambark for his workers and their children. He reduced their working hours; he opened shops where unadulterated goods were sold at low prices; in 1816, for character training. Between 1813 and 1816, he published his social theory in a set of four essays titled 'A View of Society'. In 1815 Owen did a research on how the common people could come together to make life easier for themselves, the result of which led to the formation of cooperative societies in Britain, before it started to spread all over the world. Robert Owen's association with common-people made him have many disciples who called themselves 'Owenites'. His followers nearly defied him because of his love and struggle to make life better for the common people.

Owen posited that the just price of a good was its labour cost, to charge more was unjust. Profits were the cause of overproduction and led to a crisis. Money based upon the value of other precious metals helped to confuse the relationship between the true values of goods in exchange. He advocated the organisation of men in a group which should own and use in common all the instrumentalities of production necessary for the members of each group. The ideal group, or community, should consist of 500-3,000 people, placed on about 1,500 acres. All of the members of the community should live in one large quadrangular building with public kitchen, mess-room and with separate apartments for each family. The community should be mainly agricultural but should carry on a variety of occupation so as to be as nearly self-sufficient as possible. It should avail itself of the inventions, but without yielding to country and town life.

Owen, prominence in cooperative literature is that he called attention to the abuses prevalent under capitalism. This system, Owen eventually believed, would be embraced by the whole world. More so, he did not accept the thesis of the capitalistic cooperative. Owen's legend in cooperative history is difficult to analyse. At first, his ideas were received with a good deal of favour, but this system tried both in England and America, failed. Few of his principles were adopted; his social and economic reform plans failed. Among such failures were the New Harmony in Indiana and the Liano colony near Leesville, Louisiana.

In conclusion, his achievements were more notable as it introduced better housing for workers, child labour reforms, free public libraries



and trade schools, more practical public educational programmes and shorter working hours.

### 3.2 William King Charles Fourier, (1772-1837)

He focused on the economic and social problems of the French people. Thought a physician he became a cooperator by virtues of his acquaintance with the members of a mechanic institute founded in Brighton in 1825. He was a student of history and economics in his college days and at the same time a physician. He was an active promoter of projects that would benefit the working class of poor people. As a result of this, he was nicknamed "**the poor man's physician**" through the propaganda of the London Cooperative Society. His proposals for reform consisted of many things, but essentially his plan was to organise voluntary communal associations covering three square miles each. These associations contained socials centres, educational facilities and industrial centres, among other things. Each member of an association had ownership of shares in the communal property or phalanx. Fourierism was a plan for decentralising large city populations and eliminating the attendant evils of urban life while allowing its residents to escape the isolation and drudgery of rural life at that time.

Dr King emulated several policies on how to run cooperative societies which he published in a monthly journal called *The Cooperator*. He taught the people that they could achieve a lot through a cooperative community, and they are, to be honest, and loyal to one another. He advocated that poverty would be eradicated only through cooperation. In conclusion, Charles Fourier plan failed due to lack of funds, poor recruitment and bad management.

### 3.3 Friedrich Raiffeisen (1818-1888)

Raiffeisen idea was the credit union. As a German and mayor of the country town of Flammersfeld in 1848, he was desperate for a way to save his people from starvation due to the catastrophe in the barren district of Westerwald. The people were in heavy debt together with the bad times. Raiffeisen appealed to the well-to-do of the community for financial assistance, but charity was merely a stop-gap. Raiffeisen travelled all over the globe. He discussed with everyone he met about his idea on the credit union that only people who belonged to the credit union could borrow from it, that loans would be made only for provident and productive purposes, at low interest, and that a man's character was

the important security for his loan. It was later set up in (1862). He also insisted that all the people in the credit union have a common bond of interest to hold them together.

In conclusion, the significant principle which Raiffeisen also developed was the federation of local credit societies into a regional and national bank. Raiffeisen is regarded as perhaps the foremost cooperator of all time. His name became a household name throughout Germany where he was known as 'Father Raiffeisen' and before he died, he had organised 425 credit unions.

### **3.4 Hermann Schultz-Delizsch (1808-1883)**

Delizsch, was also a German, an instrumental lawyer in organising credit cooperative for small businessmen and craftsmen. Delizsch, basic economic beliefs concerning cooperatives were: (1) cooperatives should accept no charity (2) that cooperative patrons should control and capitalise their cooperative and (3) the cooperative growth should proceed slowly through self-help. In addition, he helped form accident, consumer purchasing, health insurance and wholesale buying cooperatives for small businessmen. In conclusion, Delizsch was able to action close to 1,900 credit cooperatives, his zeal and organising ability inspired Raiffeisen.

### **3.5 Rochdale Equitable Pioneers Society and the Successes of the Cooperative**

The origin of Rochdale Society began operating in 1844; it was not until 1852 that the British Parliament passed the Industrial and Provident Societies Act. This legislation provided for the incorporation of societies such as Rochdale and allowed sales to nonmembers but did not limit the liability of shareholders. The Rochdale-type cooperative was introduced in the United States in 1863 at Lawrence, Massachusetts and in 1864 in Philadelphia with the organisation of a consumer cooperative known as the Union Cooperative Association No. 1, which had 24 members.

Characteristic of the Rochdale Cooperative Society are as follow:

1. Charged current prices to avoid a price war
2. Controlled by a board of directors and elected by members
3. Each member was allowed one vote in all elections
4. Financed by money saved by members
5. Grew out of a need caused by unemployment
6. Insisted on cash trading
7. Insisted on frequent and regular audits of the book

8. Members furnishing capital were paid five per cent interest
9. Members were content to operate within the capitalistic system
10. Money was spent to educate members and others
11. Politically and religiously neutral
12. Refunded profits by patronage dividend

The conditions that prevailed when Rochdale appeared were about as follow:

1. The workers (masses) were being displaced from their private, independents domestic manufacturing operations or cottage industries by the new factories employing the new power and machines developed during the industrial revolution.
2. Workers not recognised and had little political influence.
3. Workers lacked bargaining power in the labour market in dealing with industrial corporations. (No trade union) also resulted in low incomes and inequitable distribution of the product of their labour.
4. The workers (masses) became dependent upon wages for their income and lost control of the production resources.

The Rochdale Pioneers were destitute, poor and a few were relatively well off.

Roy (1981) summarised Rochdale principles as follow:

The following Rochdale principles may be accepted with reservation and qualification:

1. Open membership
2. One man one vote
3. Limited interest in capital investments
4. Limitation on the number of shares owned

The following Rochdale Principles may be rejected *prima facie* as being non-principled:

1. Cash trading.
2. Membership education.
3. Political and religious neutrality.
4. No unusual risk assumption.
5. Goods sold at regular retail prices

The following is accepted as a cooperative principle without reservation or qualification:

6. Net margins distributed according to patronage.

The subsequent societies inherited from Rochdale Pioneer were the democratic Administration which further alleviated the problems of members. This society operated successfully for about 90 years with

remarkable achievements. Through the success of Rochdale Equitable Pioneers, cooperative societies spread all over Britain and to other parts of the world. Due to the success recorded by this society between 1844 and 1846; the 1847 economic recession in Britain could not affect the business of the members. Between 1848 and 1850, there was tremendous growth in the weaving business, which really reduced members' domestic problems. Then in 1850, the Rochdale Equitable Pioneers made more resolutions to improve the condition of members. These included:

1. To open a shop of essential commodities and clothes.
2. To build or purchase houses for members to reside.
3. To produce such articles as a society might determine where unemployed or low-paid members could be employed.
4. To purchase or rent lands for farming for interest members.
5. To build houses for the use of their society and to assist other societies in developing.
6. To open a hotel in one of the society's houses which would further promote the society's image.

### **3.6 The Term "Hungry Forties"**

**Hungry Forties:** A period in the early 1840s when Britain experienced an economic depression, causing much misery among the poor. In 1839 there was a serious slump in trade, leading to a steep increase in unemployment, accompanied by a bad harvest. The bad harvest was repeated in the two following years and the sufferings of the people, in a rapidly increasing population, were made worse by the fact that the Corn Laws seemed to keep the price of bread artificially high. In 1845 potato blight appeared in England and Scotland, spreading to Ireland later in the year and ruining a large part of the crop. The potato blight returned in 1846.

## **4.0 CONCLUSION**

In this unit, we have learned the contributions of notable scholars in other parts of the world to the development of cooperative and the term 'hungry forties'. The ideological struggle continues to this day as always been a positive effect on cooperative development that assisted in providing solution to socio, economic and political problems.

## **5.0 SUMMARY**

The contributions and perspective of notable scholars will serve as the guiding principle for cooperative development as it can be deduced

above that each scholar developed on existing idea or view. The ideological perspectives of notable scholars of cooperative will enhance our understanding of the concept of cooperative, motives for establishing, various hindrance and solution provided at different stages of development.

## **6.0 TUTOR-MARKED ASSIGNMENT**

The understanding of various notable scholars' views on cooperative has a great effect. Discuss.

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## **UNIT 3 THE PATTERN OF DEVELOPMENT OF COOPERATIVES IN EUROPE, A.S.I.A., AMERICA AND NIGERIA**

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- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

There is a need for the reader to understand the pattern of cooperative development in Europeans country. The concern for the plight of the people played a very significant role in the cooperative movement. The efforts of cooperative members in particular and cooperative unions in general really helped the national economy.

### **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- discuss the pattern of cooperative development in Britain
- explain the pattern of cooperative development in Denmark
- examine the pattern of cooperative development in Norway and Sweden.

### **3.0 MAIN CONTENT**

#### **3.1 Nature of Cooperative in Britain**

The cooperative began in Britain as a result of the Industrial Revolution, which occurred from the 18<sup>th</sup> to 19<sup>th</sup> century. The revolution rendered many people jobless because machines replaced the man to carry out many tasks. All farmlands were bought over by the rich and noblemen;

therefore, only the rich people could afford farming, especially on a large scale. There was no room for a small farm holding at all. The prevailing unemployment led to widespread poverty and destitution. The common-man had no house to live and had no clothes to wear because the capitalists owned everything.

The suffering was so terrible that people had to move from place to place, jumping from one job or trade to another before they could feed their families. However, the rich were becoming richer and the poor poorer. Yet the government of the day showed little concern for the plight of the people. The following are the reasons for this pathetic situation:

1. Most of the workers were retrenched, and machines were used to produce goods en-masse.
2. Those employed were not allowed to do much work so as not to pay them good wages. Those who were not satisfied were ordered to resign.
3. There was terrible inflation; hence the worker's wages were not enough to feed him.
4. All labour unions were banned so they could not protest against hardship.
5. The government did not provide basic social amenities. Workers lived in squalid conditions without good water. There was serious overcrowding as the houses were small, poorly ventilated and lack essential facilities like toilets and bathrooms. Children, too, were compelled to work. Otherwise, they could not eat. They were overworked and underfed.

The hardship forced the workers to devise an avenue of protesting their condition to the government. Since labour unions had been banned all workers in Northern and Southern Britain started coming together in groups with officers in Manchester and Birmingham. The workers' groups did not relent in their effort to demand for emancipation and recognition from the government. Their effort yielded fruit with the Friendly Societies Act of 1783 and the Industrial and Provident Societies Act of 1852. Through their leaders, several other laws were made by the government to alleviate the condition of workers.

Amidst the hardship and crises emerged, heroes who struggled for the betterment of the common people. Notable among them were Robert Owen and Dr William King.



### 3.2 Nature of Cooperative in Denmark

The pattern of Danish cooperative movement will be an illustrative model used worldwide. As the assessment of agricultural cooperatives, the broad experience, the origins of the Danish cooperative movement are linked to the rural population that had learned about democracy and democratic responsibility at the folk high schools. These products of the folk high schools were active in the liberal party of opposition and in the development of the cooperative movement and their local experience consequently helped them in the larger political associations of the liberal opposition (Jensen; 1975). The educational reformer, N.F.S. Grundtvig, played an influential role in this movement. Parallel to this by-product of the constitutional battle, agricultural cooperatives also evolved as a response to the agricultural depression, in particular the dramatic change in the grain prices, in Denmark, and countries that served as outlets for Danish agricultural produce, such as Great Britain. Unlike in Great Britain, a Danish farmer was the owner of his land, and no assistance was given to him to cover for the losses, he was left to his own mercy. The Danish cooperative movement was a means of the economic organisation under the leadership of consumer- or producer-controlled corporations, where each individual member owned a part of the corporation. The type of organisation was especially used in the farming industry and in consumer organisations in Denmark from the 1790s to the 1960s. The members of the corporations sought to share the economic stress of producing or buying goods, and divided the eventual end of the year financial surplus amongst them. The type of ownership rules varied greatly between individual corporations, as some divided the financial risk equally, while others gave more power to the most financially involved individuals.

In many villages, farmers were either forced or strongly encouraged to tear down their homes and rebuild them in the middle of their new fields. This was with the intention that this would give them easier access to every part of the field and also enable them to utilise the land more effectively. These events were known as the agricultural reforms or the parcellation and were instigated by the Danish Crown to raise production. For the next century, a standard village would be composed of a series of farms; many located a distance from each other, each family working for itself producing grain and raising a few animals. Having no alternative, the Danish farmer opted for cooperation.

In addition, Denmark lacked a comparative advantage for the production of milk and rearing of pigs. By grouping, farmers pooled their selling power, so that on the market, one farmer could not be played off against

the other. This bottom-up approach in the evolution of Danish cooperatives illustrates that the cooperative movement was not started by a circle of philanthropists or landlords to benefit the practical farmer. The group of farmers that promulgated the cooperative idea was a dominant one in the sense that it owned  $\frac{3}{4}$  or 75 per cent of all arable land. It was also a well-to-do group in terms of per capita income (Henriksen; 1999, p. 59). The first cooperative was the Dairy Cooperative in Hjedding, established in 1882, established on the initiative of the farmers, financed by the farmers and managed by the farmers (Christensen; 1983, p. 103). Farmers were jointly responsible for any debts that might be incurred, and profits were divided among the members proportionally to the amount of milk each of them delivered.

Before the war in 1864, Northern Schleswig had a population density pretty much the same as the rest of the country; in 1920 it had virtually the same population as in 1860, while the population density of the rest of Denmark had doubled. Here the Danish government forced through acquisition of large German farms; splitting them up into smaller units, that was effectively a way to try to ensure that Danes did not leave the poorly populated and poorly industrialised province.

After the Second War of Schleswig in 1864, two new movements hit Denmark. One was a successful attempt to reclaim moors in central and western Jutland for farming; mostly sandy land abandoned in the 14th century as a result of the Black Plague but in many cases good for potatoes. This movement was initiated by *Hedeselskabet* (the Heath Association).

Denmark saw a second redistribution of land, which effectively meant the creation of several small-scale farms. The top stratum in a village was the priest and schoolmaster, and then came the big landowners. Next level of society was the craftsmen who normally owned a bit of land as well. Landless people formed the bottom of society.

The land acquired from the manors was paid for in cash by the government and was used not to increase the existing farms in size, but to create new ones. The impact was most prominent in Southern Jutland (Northern Schleswig) which had been reunited with Denmark in 1920.

## **NOTE**

See The Influence and Importance of Cooperative in Demark in Unit 6.

### 3.3 Nature of Cooperative in Sweden

The first Swedish farm cooperative was formed in 1850. County agricultural societies and grange associations spawned local farmers' cooperatives which purchased farm inputs and marketed members' crops. However, one of the biggest obstacles these cooperatives faced was that no legislation applicable to cooperative associations existed - they were governed by legislation for joint-stock companies. The government adopted legislation concerning cooperatives in 1895 (Ibid; 1997). As a result, cooperatives could form associations.

Cooperation in Sweden has been so successful that the country is fast becoming the Mecca of cooperatives worldwide this is because cooperative was introduced for the furtherance of the interest of the Swedish people and everybody was to participate through the contribution of their labour or the notable success was possible through the application of principles.

**Cooperative Forbundet** was established in 1899 as the organisation of the Swedish Consumers Cooperative. Through it, many societies grew up to take part in the government of Sweden. Between 1900 and 1914, the organisation protected cooperative union and the public from the monopoly of essential goods and money. Cooperative Forbundet conducts study groups by correspondence whereby people learn without a formal teacher. It also publishes a weekly magazine known as V.I.L. for youths and study groups. It publishes many books on cooperative economics and international affairs. It has successfully led some Insurance Societies to insure cooperative members against fire and life.

The Cooperative Movement of Sweden is so organised today that manufacturing and distribution of essential goods are under its control. Members are given continuous education while auditing of books and records are effectively carried out. Sweden's Cooperative School is established in Oslo.

### 3.4 Nature of Cooperatives in Norway

The Cooperative Movement in Norway was a force to be reckoned with in the International Cooperative Community. There are several areas of cooperative operations, but we shall consider housing and agriculture.

**Agriculture Cooperatives:** Agricultural Cooperatives gained rapid popularity in Norway. Its successful development was due to cooperative adult education across the country-side during the last century when Norwegian farmers were enlightened to fight ignorance and prejudice.

Several agricultural cooperatives spring up all over Norway, and they were very successful. They all came together to form an apex organisation known as the Federation of Agricultural Cooperative Associations. This federation comprises the following: National Purchasing Association; Meat Producers and Breeders Association; Eggs producers Association; Milk Producers Association; and Rural Agricultural Credit Society.

### **Housing cooperatives**

When there was an acute housing problem in the Norwegian, capital city of Oslo and in other large towns, the health of the people was fast deteriorating. This led to the formation of a Cooperative Building Society in 1929, known as Oslo Boligog Sparelag that is Housing and Savings Society; with the aim of providing its members with decent homes at affordable prices, several other cooperative societies sprang up in Norway and affected every sector of the population.

## **4.0 CONCLUSION**

In this unit, we have learnt the pattern and nature of cooperatives in European countries such as Britain, Denmark, Norway and Sweden and their contributions to the development of cooperatives in other parts of the world.

## **5.0 SUMMARY**

The contributions and perspective of European countries such as Britain, Denmark, Norway and Sweden and their guiding principle for cooperative development can be deduced above that each country developed on existing idea or view. The ideological perspectives of notable scholars of cooperative enhance the understanding of the concept of cooperative, motives for establishing at different stages of development.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Discuss various perspectives of European countries such as Britain, Denmark, Norway and Sweden on cooperatives.

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## **UNIT 4 THE PATTERN OF DEVELOPMENT OF COOPERATIVES IN ASIA**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The pattern of Development of Cooperatives in Asia-Indian
  - 3.2 Indian Enterprise
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

There is a need for you to understand the pattern of cooperative development in Asia-India concern for the plight of the people. It is noteworthy that the efforts of cooperative members and more significantly that of the cooperative unions really helped the national economy.

### **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- discuss the pattern of cooperative development in India
- explain the India enterprise and some of their economic problems.

### **3.0 MAIN CONTENT**

#### **3.1 Asia-Indian**

The cooperation started in India as a result of untold suffering which the money-lenders inflicted upon the general populace between 1860 and 1880. The poverty was so common-place that almost 75% of India's population was starved of all essentials of living; though their main occupation was farming, yet they could not feed well. All the farm produce was under the control of the rich 25% of the total population. These few people were 'stinking' rich while others were put in abject poverty. They usually gave usury to the poor farmers at a very high rate.

Whenever they borrowed money from their lenders, the farmers would use their farm inputs as collateral security. But during the harvest, these money-lenders would take the farm produce by force in place of the usury given to the poor farmers; thus, these farmers were completely enslaved by their creditors. As the money-lenders were becoming richer, so the farmers were becoming poorer. The indebtedness of these farmers was growing at an alarming rate, to the extent that they could not do otherwise, but rather serving the money-lenders. The following were the causes of their indebtedness:

- a. The farmers did not have any savings; instead, they relied on the money-lenders for day-to-day borrowing.
- b. Their debt was so much that they had to pass it to their children.
- c. Being poor, they were mainly subsistence-farmers and often fell victim to the vagaries of the weather, which affected their farm output or yield.
- d. The farmers were too extravagant, especially in marriages and funeral ceremonies. This may be a cultural factor, but it became a general habit among the farmers.
- e. They did not have sufficient lands for farming and housing.
- f. The rich landowners and landlords were exploiting the poor masses.

### **3.2 Indian Enterprises**

Data on Indian cooperatives are not adequate, yet many associations are known to exist. The Office of Indian Affairs in the U.S. Department of Interior is responsible for a credit program for Indian cooperatives. This office cooperates with these associations, primarily marketing ones. Other federal departments and agencies active in assistance to rural Indians make loans with the Farmers Home Administrations.

Indian is an important member of society. In the United States, there are approximately 800,000 Indians, and they own more than 50 million acres of land, although a substantial part is not fertile land. There is a large number of Indians, and they have land, most of them suffer economically.

### **3.3 Some of their Economic Problems**

1. The need for more education training opportunities to enable them to compete in the job market for skilled and professional work.
2. Lack of productive land to provide an adequate livestock in farming or ranching.



3. Scarcity of industry nearby.
4. Under utilisation of land for potential income-producing purposes such as the development of recreation attraction leasing for urban development. Industrial enterprises and lumbering as an industry.

Indians have few alternatives as to when and where to shop and what to buy. They can shop either at the reservation trading post or at independent stores just outside the reservation. Neither choice offers an optimal array of product alternatives and both the frequently distant from the Indian's home. Indian consumers are, in essence, rural consumers, for 70 per cent of all Indians reside in rural areas. Thus, Indians share with rural consumers the problems of lack of transportation, inadequate health facilities and the absence of consumer services.

Indian cooperatives are located in different part of the states and engage in making and marketing arts and crafts, in marketing livestock and other produce and in purchasing farm supplies and consumer goods.

#### **4.0 CONCLUSION**

The cooperative development in Asia-India is a case study of the plight of the people, what led to their pathetic economic problems and the influential roles played by cooperative members and cooperative unions in the transformation of the national economy.

#### **5.0 SUMMARY**

This unit focused on cooperative development in Asia-India and the deplorable plight of the people. It also discussed what led to this pathetic situation and highlighted the efforts of cooperative members and cooperatives union in transforming India economy.

#### **6.0 TUTOR-MARKED ASSIGNMENT**

Discuss India enterprises and some of their economic problems that led to the formation of cooperatives.

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## **UNIT 5 THE PATTERN OF DEVELOPMENT OF COOPERATIVES IN AFRICA-NIGERIA**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Pattern of development of Cooperatives in Africa-Nigeria
  - 3.2 The Reasons For Joining Cooperatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

There is a need for you to understand the pattern of cooperative development in Africa, particularly in Nigeria and the influential role played by cooperative in transforming the national economy.

### **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- discuss the pattern of cooperative development in Nigeria
- explain the reasons for the formation and joining cooperative societies.

### **3.0 MAIN CONTENT**

#### **3.1 The Pattern of Development of Cooperatives in Africa-Nigeria**

##### **Africa-Nigeria**

The African Confederation of Cooperative Savings and Credit Association was founded on 12th September 1968. The establishment of A.C.C.O.S.C.A. was a result of several meetings and deliberations of directors of cooperatives in certain African states who were determined to spread cooperation throughout the continent. They saw cooperative Societies as the best alternative to improve the economy of every African, especially the poor masses. They purposed to encourage

savings which the individual can utilise to obtain credit facilities to set up small scale businesses.

Nigeria was one of the countries that founded A.C.C.O.S.C.A. Other countries include Cameroon, Ethiopia, Ghana, Kenya, Lesotho, Liberia, Malawi, Tanzania, Uganda, Gambia and Mauritius Island. In October 1970, this association (A.C.C.O.S.C.A.) became a member of the World Council of Credit Unions (W.O.C.C.U.). Since the formation of this Association, Cooperative Credit Societies have been increasing rapidly in all the member-countries. This could be traced to the series of seminars and training being given on cooperatives all over Africa.

Cooperation in Nigeria started as far back as 1907. Notable among the earliest cooperative societies was Agege Planters Union (A.P.U), made up of cocoa producers. About four hundred (400) cocoa farmers came together to ensure that cocoa was the major farm produce earning foreign exchange for Nigeria. When the government did not immediately recognise this union, they did not relent on their efforts. There were still other farmers unions existing elsewhere.

### **3.2 The Reasons for Joining Cooperatives**

The reasons for joining cooperatives were:

- To pool resources together so that they could purchase production materials at reduced prices and passing the benefits to their members.
- To exchange ideas by sharing experience on how they could produce the best quality cocoa.
- To collectively fight for government recognition, this was slow in coming. The Ibadan farmers recognised the need to join the already existing association of Agege Planters Union (APU) and the Egba Farmers Union. They sought for inclusion in the association and were admitted.

The Colonial masters, with the formulation and enactment of cooperative legislation in 1935 based on the report of Mr F.F. Strickland's stated that cooperative would thrive in Nigeria. When the government realised the significance of cooperatives, it set up a commission in 1955 headed by Mr C.F. Strickland. The report of the commission titled "The Introduction of Cooperative Societies in Nigeria" strongly advocated the introduction and development of Cooperatives. It also proposed and drafted the relevant Ordinance and Regulations. Later the government saw the need to promote savings habit among low-income people. With another report which Mr

Strickland submitted in 1936, Cooperative Thrift and Credit Societies (C.T.C.S) were formed, and it spread all over Eastern and Western Nigeria (Adeyeye and Ditto, 1980).

More so, the enactment of the ordinance saw the more rapid development of cooperative since the enabling framework has been provided. Even though some of the early cooperatives collapsed for several reasons, a lot more was formed, especially after Nigeria's independence in 1960 due to lessons learnt from past errors. The effort of the colonial government in spreading cooperatives was effective. From independence to the present, concerted efforts are being made to bring cooperatives to every community. As more states are created so also cooperatives are brought nearer to the grassroots.

Among the people who contributed to the Cooperative Movement, especially in Western Nigeria, was (Sir) J.T. Caxton Idowu, Samuel Aboluwodi, Chief Akinpelu Obisesan, S.O. Abatan, Pastor E.T Latunde and C.A.O. Makanjuola, all of blessed memory. They fought relentlessly to spread the gospel of cooperation in the West during their life-time. Though they are late, yet their footprints remain indelible on the sands of Nigeria cooperatives.

Since the inception of cooperatives in Nigeria, the government had been playing prominent and laudable roles in its development and spread. The initial achievement of the government on cooperatives was the promulgation Cooperative Laws and the Cooperative Regulations, which followed on the 6th February 1936. In 1937, Gbedun Cooperative Produce Marketing Society became the first cooperative society to be registered by the first Registrar of Cooperative Societies in Nigeria. After these developments, several cooperative societies and unions were formed and registered by the government through the Western Ministry of Trade, Industry and Cooperative.

The Nigeria Cooperative Societies Association (NCSA) which comprises all cooperative societies in Nigeria later became Cooperative Societies Association (C.S.A.). It is upon this solid foundation and achievement that cooperative societies in the country are building up till today. And all indications point to a brighter future for cooperatives in Nigeria.

As new states were created, appropriate ministry and department saddled with cooperative matters were also created, and this helped in the promotion of cooperatives in all parts of Nigeria. The Cooperative Federation of Nigeria was formed in 1945 and formally registered in 1967. It is the national apex organisation which represents the entire

cooperative movement in Nigeria as well as at international level. It also promotes supports and advises cooperatives nationally.

Cooperative has spread all over Nigeria, but they are more prominent in the western parts of the country with various types. Many of the cooperative organisations and establishments have grown very big, and their roles in the nation's economic development cannot be over-emphasised.

#### **4.0 CONCLUSION**

The historical and evolutional analysis of the cooperative movement from Europe, Asia, America, and African will serve as a guide in understanding the significant role of cooperatives in the growth and development of a nation while the next unit will illustrate further on the importance of cooperatives in America, its constraint and achievement.

#### **5.0 SUMMARY**

The organised knowledge and broad experience gathered from various nations will assist in addressing the drawbacks or hindrances of cooperatives in general. Such knowledge will help to marshal integrated solutions that will enhance the development and establishment of national cooperation based on historical fact.

#### **6.0 TUTOR MARKED ASSIGNMENT**

1. Discuss the pattern of cooperative development.
2. Examine the reasons for joining cooperatives societies.

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**MODULE 2**

- Unit 1 Importance of Agricultural Cooperatives in Britain, Demark, Norway and Sweden
- Unit 2 Success of Consumers Cooperative Movement in Britain
- Unit 3 History of Agricultural Cooperatives in the U.S.A. (America)
- Unit 4 Problems of Agricultural Cooperatives in the U. S. A.
- Unit 5 The Role Played by Cooperatives in Indian Development

**UNIT 1 IMPORTANCE OF AGRICULTURAL COOPERATIVES IN BRITAIN, DEMARK, NORWAY AND SWEDEN**

**CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Importance of Agricultural Cooperatives in Britain
  - 3.2 Early History Denmark Cooperative Movement
  - 3.3 Cooperative Production in Denmark
    - 3.3.1 Influence of Cooperative in Denmark
  - 3.4 Sweden
  - 3.5 The Important Roles Play by Cooperative Associations
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor Marked Assignment
- 7.0 References/Further Reading

**1.0 INTRODUCTION**

Agricultural cooperatives are considered to be important social and economic units aimed at developing agriculture. These organisations are expected to play a significant role in solving rural society problems and improve future development in agricultural production and to stabilise balance between imports and exports. The importance of the small agricultural cooperatives united to form central economic units to increase their incomes and effectiveness cannot be overemphasised.



## 2.0 OBJECTIVES

At the end of this unit, you should be able to:

- explain the importance of agricultural cooperative in Britain, Denmark and Sweden
- discuss the significant roles played by agricultural cooperatives in Britain, Denmark and Sweden.
- 

## 3.0 MAIN CONTENT

### 3.1 Importance of Agricultural Cooperatives in Britain

The development of cooperatives over time has been shaped by many factors and influences. Ingalsbe and Groves (1989) group these into three main types (all interrelated):

- (1) economic conditions (caused by war, depression, technology, government economic policy, etc.);
- (2) farmer organisations (including quality of their leadership, their motivation and enthusiasm to promote cooperatives, the power to influence public policy, etc.);
- (3) public policy (as determined by government interest, legislative initiative, and judicial interpretation).

The planning of agriculture development activates the coordination and cooperation among the roles of both agricultural cooperatives and other organisations in the villages to enhance their important roles, abilities and the organisational effectiveness in the agricultural and rural development in support of commercial farmers. They aimed at removing farmers from designated areas and consolidating the homelands, were supplemented by other measures to support commercial farmers to provide subsidised loans to commercial farmers, the Cooperatives Societies to secure input supply and output marketing services and to control the marketing of agricultural products. Agricultural cooperatives emerged and thrived in this environment. (Piesse *et al.*, 2003).

The involvement in co-operatives in British colonies was far greater and more direct than in the Dominions. It was channelled through specially created Departments of Cooperation or Co-operative Branches within their Departments of Agriculture. Colonial co-operative development emerged partly in response to Britain's recognition that she needed to add development agency functions to her more traditional imperial objectives of security and supporting trade. The shift occurred for many reasons. One was the view of Colonial Secretary Joseph Chamberlain

(1836-1914) that just as British country estates to be profitable needed to make all their parts productive so, too, did the British Empire.

Contrary to popularly held beliefs, British colonies were often a drain on the British exchequer as distinct from British companies. To become more productive colonies required improvements in their agriculture, veterinary services, transport, communication and education systems, and it was thought that co-operatives could play an additional role. Another reason for the shift in policy was a need to prevent economic stagnation or decline and head off the social unrest they could spark. The loss of her American colony in the 18th century lay deep in Britain's psyche and was reawakened by the near loss of much of India during the Mutiny in 1857. After it, recurring famines and rural poverty and indebtedness threatened India's stability and co-operatives became part of a strategy to counter them.

The few agricultural co-operatives that were formed in the late 19th century suffered unfavourable patterns of trade. Farmers also comprised a quite different sector of British Society from the growing working classes and were slower to form co-operatives than had been the case in Ireland and Denmark. Those in Ireland were spearheaded by Sir Horace Plunkett (1854-1932) and included primary societies as well as support organisations such as the Irish Agricultural Organisation Society established in 1894. English, Scottish and Welsh versions were later established on this model.

In 1919 Plunkett created the Plunkett Foundation which became an international organisation for the promotion of agricultural co-operatives. In 1924, in conjunction with the Empire Exhibition at Wembley in north London, the Foundation organised an Empire-wide conference of agricultural co-operatives. Sir Daniel Hall from the Ministry of Agriculture but also Chairman of the Plunkett Foundation explained to delegates why British agricultural co-operatives had developed less strongly than their counterparts in other parts of the British Empire. One reason was that "the typical British farmer is a capitalist upon a comparatively large scale." Another stemmed from the fact that unlike farmers elsewhere in the British Empire British farmers were not a "single-man or family-unit farmer" for whom "cooperation can do more, and can do that much more quickly." Instead, British agriculture comprised comparatively large-scale farmers who formed "a fairly efficient economic unit." A further reason why British farmers were not more enthusiastic about co-operatives was that they did not focus on the same degree on exports as farmers elsewhere in the British Empire. Moreover, their home market was long established and clearly structured and provided an "organised and efficient trade service for both sale and purchase."

This statement illustrates how British agricultural co-operatives differed from those elsewhere in the British Empire and also that their roots were not those of consumer cooperatives. However, cooperative among labour, farmers and members of the societies solved the problems and issues prevailing in Britain.

Agricultural cooperatives play the following roles in Britain:

- They provide goods and services at a minimal cost. This is selling at prices a little above purchase price.
- Elimination of middlemen, especially those who are not rendering any economic benefits. Most of them exploit and hold the public to ransom.
- Offer protection to those who are economically weak in terms of low incomes.
- Reducing unemployment that led to poverty and destitution
- Provision of shelter and clothes to wear for the common man and basic social amenities
- Provision of transportation facilities and other auxiliaries to trade.
- Solve the problem of inflations
- Each member understands one another more and can resolve issues amicably
- Emancipation and recognition from the government through the joint effort of their leaders. Laws were made by the government to alleviate the condition of workers and union regain the power.

In contrast, government first Cooperative legislation, the Cooperative Credit Societies Act, India, was passed in 1904.

India and Southern Africa were strategically important. The late 19th century saw growing competition between Western European Empires and the Russian and the Ottoman Empires. In Southern Africa, Britain fought two Boer Wars. After the second ended in 1902, agriculture needed revitalising and cooperatives were believed to be able to help.

### **3.2 Early History of Denmark Cooperative Movement**

About 90% of all farming soil in Denmark was cooperative from 1300, as the Black Death depopulated the rural parts of the country. Then, the inhabitants of a Danish village would work together, forming *Lands by fællesskaber* (village communes). To distribute land fairly between farmers, the land was normally distributed between all farmers in a village with each of them owning a strip of land on every field. Re-allocation of the land took place if the size of the individual families changed strongly. In this system, it was virtually impossible only to

work individually, since the plots of land might have the full length of the field, but only be a few metres wide. A second characteristic was that all farms were located close together and near the church, with the result that fields far from the village were often poorly utilised.

The changed in the enclosure movement which aimed to reunite fields and award them to one owner only. Any farmer would normally be awarded a coherent piece of land and perhaps an additional piece of forest between 1750 and 1800.

### **3.3 Cooperative Production in Denmark**

This change in production resulted in a need for dairies and slaughterhouses. The only way to pay for such massive investments was for a large group of farmers to share the cost and risk between them, thus creating the cooperative dairies and slaughterhouses. The new situation implied that farmers would buy cheap grain from Russia and feed it to their livestock, selling milk, butter, eggs and meat for a much higher price. This movement also resulted in the creation of both the *Danish Bacon* and *Danish Lurpak Butter* brands.

The combination of the Cooperative Movement and the switch away from the production of grain resulted in a considerable increase in wealth for the average Danish farmer, and it became essential in the way Danish farmers perceived themselves. The system was also attempted in other places where Danes settled, for example, in the Danish communities in the United States.

Before World War I, Denmark gained a foothold on the Russian market, and the Russian Revolution of 1917 cost Danish industry dearly. Attempts to construct cooperative dairies in Russia played a significant role in this policy, and a few were actually built there. The Russian Revolution destroyed this work, but new attempts were made in the Baltic States during the Interwar period. Attempts to export the system to Poland were considered in the Danish Ministry of Foreign Affairs to boost the exports of Danish machinery. Attempts to export this system were often linked with efforts to export the Danish system of secondary education for farmers.

#### **3.3.1 Influence of Cooperative in Denmark**

Cooperatives were governed in a democratic way. Usually, each member had one vote, irrespective of the number of cows he possessed. Farmers, members of the cooperative, elected the board of directors who appointed the dairy manager, usually a specialist in the field. Local

cooperatives were free to join into a central federation, which aimed at developing the industry by expositions, conferences and collection of material. In the 1950s, a joint-stock company was formed out of a series of dairies, uniting into two rivals *Mejeriselskaberne Danmark* and *Kløver* who later merged to found M.D. Foods (now Arla Foods) which controls almost all of the Danish milk market. The Danish Crown meat processing company also owes its existence to the cooperative movement.

### **Coop shops**

The cooperative movement also resulted in a series of co-op stores known as *Brugsen*, which were under the administration of the Danish Consumers Cooperative Society. The stores kept a large share of the Danish consumer goods market. In January 2002, Coop shop merged with retail chains to form Coop Norden.

### **Windmills**

The cooperative ownership model for windmills was developed in Denmark. First for smaller windmills, later for wind farms. One of the biggest cooperatively owned windfarms is at Middelgrunden in Copenhagen and the Samsø island.

### **Communities**

In the late 1970's and early 1980's Collective lifestyle, including cooperative production, was very popular. Some of these collectives still exist like Svanholm, which was started in 1978. Freetown Christiania was established in 1971. People living in these communities are often environment conscious and join the Danish Ecovillage Network.

### **Co-housing**

Living in cohousing groups with a common ground and the common house is relatively common in Denmark. The common house is used for common eatings, common washing machines, meetings and fests. There are three types of co-housing groups:

- One type, where the flats/houses are built by a national housing association and people are renting the flats. E.g., Lejerbo has 37,000 apartments. In English, this type of housing often referred to as social co-housing.
- Another where people own the flats/houses and the land and the loan together. In Danish they are called "andelsbolig", and

- The third type, where people own the common house and the land together, but they own their own family houses.

In essence, cooperatives provided market access to a small farmer, who on his own had a negligible bargaining position and who otherwise, would not be able to market his produce. Consequently, the upswing of cooperatives contributed to the development of smallholdings.

Direct advantages of cooperative operation included:

- (i) economies of scale on transportation,
- (ii) quality packaging, and
- (iii) regular dispatch of uniform quality and quantity that can only be achieved through the large-scale organisation.

Perfect packing was an absolute necessity in preserving the excellence of butter. Other benefits included regular weekly financial settlement from the dairy. The farmers also received a share of the profits from distribution, thus, keeping the profits that would had gone to the middlemen. The constitution of the dairy cooperative stipulates that members must for a fixed period, originally up to ten years, recently only a few years; bring all their milk, except what they needed for household use, to the cooperative dairy. Heavy fines were imposed for infraction of this rule. Strict rules were laid down relating to the proper feeding of the cows, sanitary milking, etc. (Christensen; 1983). This attempt at creating cooperative dairying was an immediate success since better quality butter was produced. With this approach, it became possible to standardise output, and in turn, demand higher prices. Technical improvements that upgraded both the quantity and the quality of the butter were introduced. Soon the cooperative dairy butter surpassed the celebrated 'Estate Butter' for which Denmark had been famous, and the cooperative movement spread to other sectors (Haggard; 1911).

The farmers awakened to the scientific possibilities of dairy products and cattle breeding. Among the economies was the skimmed milk, saved for feeding hogs, which consequently stimulated the bacon industry, and thus brought about the opening of cooperative slaughterhouses. This, in turn, led to the building of cooperative slaughterhouses and pork packing societies.

The first cooperative abattoir was formed in 1887. The cooperative slaughterhouses were organised in a similar pattern as the cooperative dairies. Members agreed to bring all of their hogs to the cooperative slaughterhouse, even though they are offered higher prices elsewhere.

A slaughterhouse or bacon factory on cooperative lines has the following advantages:

- (i) the commission paid to dealers is saved,
- (ii) the difficulties experienced by existing slaughterhouses in disposing of the offal become reduced when the cooperators became interested in its utilisation,
- (iii) the cooperators would share between them all the profit.

The cooperative movement also has a unique history in the cooperative egg export society. Price of eggs shows great fluctuation. The temptation to hold back eggs in autumn before selling and shipping them was therefore very high. Many of those who handled the eggs between 1880s and 1890s in Denmark succumbed. As Denmark exported a significant portion of eggs to Great Britain, there were many middlemen between the hen and the English consumer. The farmers, or rather the farmers' wives, gradually learnt to increase their profit by holding back the eggs one or more weeks during the latter half of the year. The hucksters who collected eggs from the farmers were equally clever, and the merchants, who bought from the hucksters or had their own collectors, likewise tried to improve their position by the same short-sighted policy. The result was that more and more Danish eggs arrived in England in bad condition. The means of detecting stale eggs were less developed in those days, and thus serious complaints from large English importers were received by the Royal Agricultural Society of Denmark in 1889.

The Society tried to influence the farmers and local buyers of eggs using reports in the agricultural and local daily papers, explaining how dishonest it was to sell stale and kept eggs as fresh, however without an impact.

The merchants and shippers were also in difficulty, as if they refused to pay farmers for eggs manifestly kept or even partly spoiled, farmers would sell to competitors, and they would not receive any eggs themselves, neither fresh nor bad. The price for eggs, as delivered by the farmers, had, therefore, to be fixed to allow for incurred losses. Fresh eggs were, thus, during about one-half of the year quoted considerably below their real value.

Local societies emerged as a response to this unsatisfactory state, the members of which bound themselves to deliver their eggs weekly and never to send any stale eggs. This was a step in the right direction, but had only a local application, and did not influence the trade and export of eggs as a whole. In 1894 an attempt was made by the Agricultural

Society of Horsens to get the egg producers all over Jutland to combine to form one large Society for the improvement of the egg trade. The Society was formed, but failed to secure the necessary support. The same result followed similar attempts at other places.

In order to get egg-producers interested in the egg trade, it was not enough to ask them to improve the quality of eggs sold to dealers. It was necessary to go the whole length, to do away with the hucksters and agents who travelled the country districts to collect eggs, and to form a society not only for collecting but also for trading in and exporting eggs. A system of marking eggs was proposed by which it could be seen at once from which producer any eggs had been delivered. Society with branches all over the country began operations in April 1895.

Each branch has its distinctive number, and each member has his number with his branch. Before the eggs were delivered to the collector for the branch, each egg was marked by means of a rubber stamp with the number of the member and the number of the branch, and those two numbers proved the origin of the egg so that when a "spotted "or stale egg was delivered, it can be at once be seen who the offender was. At the packing and exporting warehouse, the trademark of the Society is stamped on each approved egg next to the two numbers. As a result, Danish eggs re-entered the English market and the export of Danish eggs during the first three years of the Society's activity has increased sevenfold. Based on the success of cooperatives, the Danish farmers soon found it necessary to carry cooperation a step further, for example, to control the distribution of their products in England, which was the chief market for many Danish agricultural products.

Danish farmers formed a cooperative export association. As cooperation was not confined only to the selling of farm products and buying of merchandise and farm supplies, the improvement societies emerged, such as cooperative fertiliser plants and canning factories. Another example was the maintenance of cow and swine improvement and breeding societies and seed-testing organisations (Haggard; 1911).

The breeding of cattle, horses, swine and sheep was promoted by cooperative societies. The central societies aim was to improve the breeding of farm animals by keeping accounting systems of the quantity of milk produced per cow, its content of butterfat, as well as the relative cost of maintenance. The first central Society was established in 1895. Almost every need of the farmer was supplied through one or more organisations of this kind. In addition, there were societies for accident insurance against hail and other storms, and for the insurance of livestock as was observed by *Ortmann & King(2007)*.



### 3.4 Sweden

One-third of the Marshall Aid went to agriculture without having to adjust for joint-stock company laws. Following the adoption of the new law, several producer cooperatives were created. By the 1930's, the combination of the Great Depression and crop surpluses resulted in an agricultural crisis as prices hit all-time lows. The government interceded with several measures that constituted the root of Sweden's agricultural policies. In 1947 it was decided by the government that crop and food prices would be fixed.

The cooperatives gained strength under Sweden's protective agricultural policies that stimulated both agriculture and cooperation. Currently, there are about 50 agricultural cooperatives in Sweden, mainly focusing on marketing, meat processing, farming and forestry. The rules on market competition in Sweden are laid out in the Swedish Competition Act (S.C.A.). When the S.C.A. was first enforced, it contained no exemption rules for cooperatives (Ibid; 1997).

New rules regarding cooperatives came into force in 1994. The S.C.A. provides an exemption for cooperative associations as long as they abide by the following rules, and the cooperative has the legal form of an association.

Most cooperatives in Sweden abide by the following cooperative principles:

- Equal payments for cooperative costs (e.g. distance neutrality),
- one member, one vote, equal prices for member products.
- To enter a cooperative, farmers must meet the quality and environmental requirements of the cooperative and pay a modest fee.
- To leave the cooperative, the farmer must give written notice in advance (1-6 months) and then he receives his entire equity (with no interest) within a few months if he is retiring, or after a few years if he still farms (Ibid; 1997).

### 3.5 The Important Roles Play by Cooperative Associations

The association protected the cooperation union and the public from the monopoly of essential goods and money.

1. It also assists people to learn without a formal teacher.
2. It assists in the publication of a weekly magazine, books on cooperative economics and international affairs.
3. Agricultural cooperatives import basic foodstuffs rather than producing them.

### 4.0 CONCLUSION

It can be observed that there is much discussion on Denmark agricultural cooperatives due to available information and the significant lesson derived from the cooperative associations while little discussion on Britain and Sweden was made.

### 5.0 SUMMARY

Now that we have known the importance of agricultural cooperative in Britain, Denmark and Sweden and understand the significant role played by the agricultural cooperatives in Britain, Denmark and Sweden and also able to recognise areas of difference and similarity. We shall now go to the next unit on the success of consumers' cooperative movement in Britain.

### 6.0 TUTOR-MARKED ASSIGNMENT

1. Compare and contrast the importance of agricultural cooperatives in Britain, Denmark and Sweden.
2. Discuss the significant role played by the agricultural cooperative in Britain, Denmark and Sweden.

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## **UNIT 2 SUCCESS OF CONSUMERS COOPERATIVE MOVEMENT IN BRITAIN**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Consumer Cooperative
  - 3.2 The Effective Establishment of Consumer Societies
  - 3.3 The Factors that Led to the Success of Consumers Cooperative Movement in Britain
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

In Britain, the ideas of cooperatives assist imperial development agency functions came from influential figures rather than from the formal Cooperative Movement. Notable among these individuals was Earl Grey, who befriended British consumer cooperation but was also a staunch advocate of producer cooperation.

British consumer co-operatives were developed within the British Empire, particularly in its colonies and state-sponsored with varying degrees of government involvement. British consumer cooperation received no government support or sanction and operated within the nation's tax regime.

### **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- discuss the effect of establishing consumer cooperative in Britain
- discuss the factors that led to the pattern of cooperative development in Britain.

### **3.0 MAIN CONTENT**

#### **3.1 The Consumer Cooperative**

In an early history of the I.C.A., Gide distinguished cooperatives from other economic and political theories. "The programme of the

consumers' societies admits capitalism to a certain extent. They are societies with shares, and as they demand from the members contributions to capital and pay interest. And it does not admit the expropriation of the possessing class, or at least it desires a different expropriation from that which would be brought about by the play of free competition. This even if someday the cooperative enterprises show themselves superior to capitalist enterprises and get rid of them by their successful development. But these are not the characteristics of collectivist expropriation. And, above all, there is this difference, that the essential article of the socialist programme, which is class conflict, cannot be included in the co-operative programme. This is because the consumer does not represent any class. He has neither difference of class nor difference of sex; everybody is a consumer. everybody, Socialist or otherwise, has the right of admission to the association and that is a feature which suffices to give the cooperative movement its right of autonomy."

Despite convoluted wording, this is a defining statement. Not only did it distinguish cooperative from capitalist economics but also other political creeds. It also reflected the triumph of consumer theory of cooperation over producer cooperation.

Gide's theories heralded consumer cooperative literature. Notable works include the book by Frenchman Ernst Poisson (1882-1942) *Republique Cooperative*, the works by Swede Anders Oerne (1881-1956) *Cooperative Ideals and Problems*, and those by American J.P. Warbasse (1866-1957), whose writings included *What is Cooperation?* All assumed the superiority of consumer cooperation. The developed between the proponents of producer and consumer cooperation are those supporting the former were led by Edward Vansittart Neale who was in a pivotal position as General Secretary of the Co-operative Union.

In more agrarian economies, including many parts of the British Empire, consumer cooperation had a far more chequered history. We now turn to consider the kinds of cooperative which emerged in the British Empire.

British consumer cooperatives had benefited from Britain lying at the centre of the "largest empire in the history of the world, comprising nearly a quarter of the landmass of the earth and a quarter of its population." British consumer cooperatives drew raw materials from her Empire and elsewhere which she then manufactured and exported throughout the world, justifying the epithet "workshop of the world". These processes helped to increase British levels of employment and consumption, which in turn underpinned the growing consumer cooperative movement. Conversely, they tended to inhibit agricultural

cooperative development. Britain now found it cheaper to import basic foodstuffs rather than to produce them. It has been observed that "Dominating the entire structure were British production, British commerce and British financial services, and, it might be added British economic ideology, as free markets and free trade came to be perceived as the wave of the future by enlightened opinion throughout the 'civilised world'".

British consumer co-operatives benefited from imperial patterns of trade. Co-operative greengrocers could justifiably show the "horn of plenty" overflowing with fruit, much of it imported on their paper bags, they also differed from those of early producer or workers' societies which we now turn to consider and which shared their Owenite roots with retail societies.

**British producer societies endorsed** Owen's dislike of profit if it led to the exploitation of labour; also his belief that labour, as a factor of production, should receive a just price. They also had more complex ideological roots. They took much from Owen but added ideas from French utopian socialists such as Fourier and Louis Blanc who along with Owen denounced competitive and capitalist industry. Blanc advocated self-governing workshops that would be organised into self-governing industries. These ideas influenced the Christian Socialists but particularly J.M. Ludlow who persuaded his fellow Christian Socialists to form the Society for the Promotion of Working Men's Associations to encourage the development of democratic workers' productive associations or societies. Their members would elect officers and executive power initially in the hands of a manager would eventually be transferred to the members.

Retail societies shared these ideals when they spoke of "surplus" rather than profit and for many years rewarded their employees with a dividend on wages: this meant that if these workers were also members of their local Society, they received what became known as a "double dividend". Even so, many cooperators, including the Christian Socialists saw producer co-operatives as being the best way of giving worker/members the true rewards of their labour.

### **3.2 The Effective Establishment of Consumer Societies**

One reason was that they were likely to be smaller-scale and needed to limit the number of their worker/members to what the business could support. Another was that they tended to appear in crafts whose markets were changing or declining and in any event, lacked the homogeneity of

retail societies' markets: this helped to explain why they failed to develop a formula for success inherent in the Rochdale practices.

"The Society has for some time determined to discourage advances of money to bodies of working-men about to start in association unless they have first shown some signs of preparedness for the change from their old life, and have subscribed some funds of their own working-men, in general, are not fit for the association. They come into it with the idea that it is to fill their pockets and lighten their work at once, and that every man in an association is to be his own master.

### **3.3 The Factors that led to the Success of Consumers Cooperative Movement in Britain**

The factors that led to the success of consumers cooperative movement in Britain are as follow:

- 1) The established research institute by Plunkett Foundation in 1919, which became an important cooperative development vehicle in the British Empire, exchanging cooperative experiences particularly among agricultural movements, and advising governments on appropriate cooperative legislation.
- 2) The British Empire illustrate the effectiveness of the communications networks.
- 3) The registration, promotion, supervision and auditing of cooperatives through writings of the more notable registrars provide good eye-witness accounts of this kind of cooperative development.
- 4) The establishment of a national credit bank for consumers cooperatives.
- 5) Increased use of highly technical personnel as managers and employees.
- 6) Increased use of auxiliary departments in cooperatives (particularly in regional) for servicing their main enterprises. Examples include auditing, traffic management, membership education, testing and laboratory services and marketing research.

### **4.0 CONCLUSION**

In this unit, you have learnt the success of consumer cooperatives in Britain and contributing factors of notable scholars towards the development of cooperative and the ideological struggle been a positive effect on cooperative development.

## 5.0 SUMMARY

In this unit, you have studied the success of consumer cooperatives in Britain and contributing factors of notable scholars towards the development of cooperative and the ideological struggle been a positive effect on cooperative development.

## 6.0 TUTOR MARKED ASSIGNMENT

Discuss consumer cooperative in Britain, the challenges and the factors that led to the success of the societies.

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## **UNIT 3      HISTORY                      OF                      AGRICULTURAL COOPERATIVE IN U.S.A (AMERICA)**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Evolution of Cooperatives in the United States
  - 3.2 Post-Civil War to World War I, Effect on Agricultural Cooperation In U.S.A
  - 3.3 Post World War 1 to the 'New Deal' (1933) Effect on Agricultural Cooperative In the U.S.A.
  - 3.4 Post World War II to the Present Effect on Cooperative in America
  - 3.5 Agricultural Cooperatives in the United States of America
  - 3.6 The Trend in Agricultural Cooperatives Large Scale Cooperatives
  - 3.7 Agricultural Credit Cooperatives/Corporations (A.C.C.)
  - 3.8 Agricultural Service Cooperatives
  - 3.9 The Cooperatives Idea in the U.S.A.
    - 3.9.1 Fishery Cooperatives Limited Resources Agricultural Cooperatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The colonists on arriving in America attempted some forms of communal or collective farming. Within a short period, these attempts were abandoned in favour of private cultivation and ownership of what was produced. However, this did not restrain the colonists from erecting defences from Indian attacks and from assisting each other in numerous undertakings, such as land clearing, harvesting, barn raising and in many other joint activities. Since about 1988 two phenomena have been occurring in the organisation of agricultural cooperatives in the U.S.:

- (1) the restructuring and consolidation of conventional cooperatives and
- (2) the emergence of new generation cooperatives (NGCs) (Cook, 1995).

NGCs retain many of the characteristics of conventional cooperatives, but they focus on value-added activities. Member capital contributions are linked to product delivery (marketing) rights which attain value and can be transferred, and membership is closed or restricted. These

developments suggest that cooperative strategies are becoming more offensive. Cropp (2002) contends that cooperatives in the U.S. have matured to become a significant force in agriculture, and play an increasing role in influencing national agricultural policies.

## **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- explain the history of America agricultural cooperative
- understand the major incident of America agricultural cooperative.

## **3.0 MAIN CONTENT**

### **3.1 Evolution of Cooperatives in the United States**

In 1752, Benjamin Franklin became perhaps the first American cooperator with the organisation of a mutual insurance cooperative called the Philadelphia Contributionship for the Insurance of Houses from Loss by Fire.

In 1785, the cooperative buying and selling of livestock began in Pennsylvania. In 1794, cordwainers in Baltimore, Maryland, organised a co-op boot and shoe factory which was the forerunner of what is now called 'workers' productive cooperative.

In 1803, the first formal farmers' marketing cooperative was organised in Ohio. About 1810, two dairy cooperatives were formed which are thought to be the first formal farmers' associations organised in the United States. One cooperative was located at Goshen, Connecticut, and the other at South Trenton, New Jersey. Following these, many different commodity cooperatives were organised throughout the Northeastern States, Cotton Belt, Upper Mississippi Valley and Far West. They were mutual benefit enterprises operating without the advantage of special legislation. While many were short-lived, a few are still in existence. The first mutual savings banks in the United States were organised in 1816, in Boston and Philadelphia, by community leaders who sought to provide a safe repository and an interest-paying one for the small savings of the wage earner. At that time, most commercial banks did not accept savings deposits, and no other type of thrift institution existed.

In 1820, in Ohio, cooperative livestock shipping associations and farmers' mutual insurance groups were organised.

In 1857, a cooperative wheat elevator was organised in Dane County, Wisconsin. Later, cooperative grain elevators were to become a significant facet of farm cooperation in the United States.

As early as 1847, mutual irrigation associations were formed in Utah and California. By 1860, there were 83 such associations in those two states. In 1863, a fertiliser buying cooperative was organised in Riverhead, New York, and 18a fruit marketing cooperative formed in New Jersey.

### **3.2 Post-Civil War to World War I, Effect on Agricultural Cooperation in the U.S.A.**

After the Civil War, consumer prices rose rapidly. This encouraged the formation of several hundred consumer cooperatives in the Middle West and Northeast, but by 1870 most of them had been disbanded. The business decline and unemployment during that period hurt consumer cooperatives.

In 1871, the Chicago Printers Cooperative Association served some of the economic needs of several small printers. In 1877, a group of New York City druggists pooled some of their drugs orders to reduce costs, and cooperatives are considered to have been the first businessmen's cooperatives in the United States.

Between 1880 and 1890, scattered cooperatives for marketing farm products were organised. Some of them are still in existence. A few examples include co-op elevators established at Watson, Minnesota in 1886; Marcus, Iowa, in 1887 and at Rockwell, Iowa, in 1889; fruit marketing cooperatives in California, Florida, New Jersey and New York; livestock marketing cooperatives in the Middle East; a wool growers' cooperative in Indiana; a tobacco growers' cooperative in New England and a co-op cotton gin in Texas. By 1890, there were about 1,000 active farmer cooperatives. Over 700 of these were handling dairy products; about 100m grain; and about 100, fruits and vegetables. The development of credit unions began in 1906 in Manchester, New Hampshire, with the organisation of a credit union with Roman Catholic parishioners. Alphonse Desjardins of Quebec helped organise the first credit union in the United States. Massachusetts passed the first credit union act in 1909.

### **3.3 Post World War 1 to the ‘New Deal’ (1933) Effect on Agricultural Cooperative in the U.S.A.**

The development of farmer cooperatives during this period fits logically into four areas:

1. Reorganisations and consolidation of local cooperatives
2. Organisation and expansion of regional cooperatives
3. Formation of state-wide and national organisations.
4. Structure meeting of the needs of members

With the arrival of Franklin Roosevelt and the “New Deal” in 1933, federal legislation with regards to cooperatives became abundant. For example, the Rural Electrification Act was passed in 1936 to aid rural areas in obtaining electricity cooperatively. A federal credit union act was passed which permitted the Federal Chartering of credit unions. Provisions for short-term agricultural credit on a cooperative basis were enacted into law in 1933. The federal government enabled farmers to procure short-term credit cooperatively government themselves were provided a cooperative banking system. The Marketing Agreements Act of 1937 enabled farmers to vote-in marketing orders aimed at facilitating the marketing milk, fruits and vegetables, among other commodities.

In one significant aspect, the “New Deal” did not foster cooperatives. This was in acreage allotments and price support programs. Whereas the Hoover Administration had relied heavily upon the Federal Farm Board and large-scale commodity co-operative “New Deal” rejected this approach. It moved more in the area of direct federal intervention in acreage, output, marketing and price controls over agriculture. In retrospect, this was perhaps a fatal mistake. This federal government might have been better off, and Society might have been better served if a less federal intervention had occurred, and greater reliance had been placed on farmers’ purchasing marketing and servicing associations. Of course, this question will never be settled, and opinions differ on the probable results.

### **3.4 Post World War II to the Present Effect on Cooperative in America**

Between 1945 and 1955, farmer cooperatives in the United States showed only moderate growth. Reasons for this included:

- (1) Inflationary times made for “easy” and “cheap” money;
- (2) Farm prices rose faster than costs, and thus net incomes were good;
- (3) Growth of federal support programs lessened the need for farmer cooperation;
- (4) Migratory shifts in farm population caused re-arrangement of rural society, making co-op organisation difficult; and
- (5) More vocal antagonism against farmer cooperatives arose, especially on the income tax issue.

Since 1955, farmers’ cooperatives have demonstrated a better rate of growth. The cooperative idea re-established itself as costs rose faster than prices, government programs became disillusioning, and new farmer leadership emerged. According to the Farmers’ Cooperative Service, the values of co-op marketing have increased at a faster rate than those of agricultural marketing of all farmers. The values of farmers’ acquisitions of supplies and equipment through cooperatives have also increased at a faster rate than expenditures for supplies and equipment of all farmers.

Perhaps the most significant co-op development since World War II has been the organisation of retailer-owned wholesale cooperatives such as co-op food, hardware, drug and lumber retailers. This development holds great potential for the future.

### **3.5 Agricultural Cooperatives in the United States of America**

The U.S. has been designed especially for the incorporation of agricultural cooperatives. No other type of cooperative has as good a legal basis for chartering as does the farmers’ cooperative. Much credit in this respect is due to the U.S. Department of Agriculture, various farm organisations, co-op councils and others who provided the leadership in getting adequate and uniform farm co-op statute in all 50 states.

States do differ in at least one respect about voting provisions in farmers’ cooperative statutes. Some 19 states permit voting on other than a one-man, one-vote basis. California, Florida, Illinois, Indiana,

Kansas, Kentucky, Maine, Massachusetts, Michigan, Mississippi, Carolina, Vermont and Washington.

Farmers' cooperative contributes to the material and spiritual prosperity of agriculture as well as to the total national economy. Farmers' cooperatives, both large and small, are simply organisations of the individual farmer which carry on essential functions needed by our farmers and by our society as a whole. Farmers' cooperatives enjoy no special privileges or favours denied by law to any other group or organisation which may elect to accept the same restrictions that are self-imposed by the members of cooperatives.

There are some 26,000 agricultural cooperatives of all types in the United States. These types consist of agricultural bargaining, credit, marketing, service, supply, fire mutual, fishery and Indian cooperatives, among others, that are agricultural oriented.

The American Agricultural Marketing Association (AAMA) was incorporated in January 1960 under the Illinois Cooperative law. AAMA serves as the national coordinating and information agency for some 45 States Farm Bureaus marketing association. Membership dues and services fees are the sources of funds for this organisation. AAMA was set up to help state affiliates carry out marketing programs and develop new ones to meet the many changes occurring in agricultural marketing, although bargaining has been given the most attention. Marketing cooperatives in the United States serve over two of every three farmers in the United States who market produce through some cooperative.

Agricultural marketing cooperatives are organised for the collective marketing of members' produce. They market a growing share of the value of all farm products in the United States. These marketing cooperatives range in size from a small local organisation to powerful centralised or federated groups which have sales representatives in numerous domestic and foreign markets and handle considerable portions of the respective agricultural produce. Many marketing cooperatives engage in processing of commodities produced by the members, such as freezing and canning, butter-making and other forms of processing. Many have developed great volume and strength, both domestic and foreign.

The number of agricultural marketing cooperatives has declined as many associations have merged and smaller ones liquidated. With the decrease in the number of farmers in the United States, co-op memberships also have declined. However, it is believed that the proportion of all farmers belonging to marketing cooperatives has

increased. Despite the declines in co-operative numbers and in membership, co-operative marketing business volume has increased steadily year by year. Dairy products account for roughly one-third of total cooperative marketing. Next in importance is the marketing of grain and soybeans, followed by livestock and livestock products. Other important cooperative marketings are nuts, fruits and vegetables, cotton and cotton products, poultry products, sugar products, rice and tobacco. Marketing cooperatives are becoming more vertically integrated by increasing their ownership and control of facilities beyond the first-buyer level. Many of them are moving to the retail store level by consumer packaging and product branding and promotion. Greater use of mass media in advertising is also underway.

In earlier years, farmers were satisfied with organising local handling, processing and marketing association. With the advent of urbanisation, better and more rapid transit, broadening markets extending internationally and more rapid communication processes, the thrust of modern Marketing Corporation is to integrate vertically additional steps in the marketing distribution process. This thrust may tend to require large and more heavily capitalised marketing association.

### **3.6 Trend in Agricultural Cooperatives Large Scale Cooperatives**

There are nine farmers' cooperatives in the United States, each with sales volume about 200 million dollars annually. These are (with headquarters office). Associated Milk Producers, Inc. (Texas); Land O' Lakes Inc. (Minnesota); Farmland Industries, Inc. (Missouri); Agway, Inc. (New York); Gold Kist, Inc. (Georgia); Dairylea Cooperative, Inc. (New York); Farmers Union Central Exchange, Inc. (Minnesota); Midland Cooperative (Minnesota) and C.F. Industries (Illinois). Most of these are both supply and marketing cooperatives.

A Farmer Cooperative Service study of cooperatives business growth reported the following:

1. The great majority of cooperative businesses are small – 40 per cent did less than one-half million dollars of business annually, 22 per cent did between one-half million dollars and \$1million and 31 per cent did \$1million to \$5million annually. Only 7 per cent, or 386 associations, did more than \$5 million of business a year.
2. Total marketing and supply sales of the ten largest cooperatives were only 13 per cent of total sales of the ten largest for-profit



businesses. Cooperatives' net margins, assets and net worth were only 4 to 6 per cent of those for the other firms.

3. The actual growth of the four largest cooperatives in each of 11 selected categories was appreciably less during the past 20 years than the growth of the four largest for-profit firms. The profit businesses, for example, had seven times greater sales, 22 times greater net assets, 25 times more net worth and 18 times greater net margins than the cooperatives during this period.

A comparison of cooperative trends with total related business in the agricultural economy, as well as the Gross National Product, indicates:

1. Cooperatives are continuing to make favourable growth in relation to similar sectors of the agribusiness economy. Both cooperatives and the agribusiness economy, however, have been increasing at a decreasing rate during the past five years.
2. Cooperative growth, like trends in farm cash receipts and expenditures, lags behind the growth of the economy as a whole (G.N.P.).

Generally speaking, farmer cooperatives are still rather small business undertakings compared with firms they buy from and sell. With the trend to fewer but larger farms, higher capitalisation and more exacting market requirements, it is easy to see why cooperation in agriculture will expand. Number-wise, farmer cooperatives may not expand greatly, but volume-wise their gains should be significant. Much, of course, will depend on the federal government's farm policies. If a more centralised and paternalistic federal government evolves, cooperation will be less in favour. If the federal government should lessen its involvement in agriculture, cooperation will take up much of the slack. The choice is up to the farmers themselves and the citizenry through their elected representatives. There are many phases in agriculture which need additional cooperative organisations, such as:

- a) Farm and home chemicals;
- b) Forestry;
- c) Machinery and equipment;
- d) Foreign trade;
- e) Farm product utilisation;
- f) Rural recreational facilities;
- g) Farm custom services; and
- h) Contract bargaining.

This is not to underestimate the economic need for more cooperation in the traditional areas of agricultural supplies, production, marketing and

services. Farmer cooperatives especially are concerned with foreign trade expansion. Rice, feed grains, fruits, vegetables, cotton, wheat, broilers and many other commodities have a large stake in foreign trade. Efforts on a co-operative basis to expand trade in the future should prove rewarding.

At the same time, cooperative buying in foreign markets will be important. Many retailers consumer stores and farm supply cooperatives will need to purchase foreign-made good cooperatively to retain competitive here at home. Farm supply cooperatives, for example, have found that imported steel products are considerably cheaper than domestic steel products. Since it is the cooperatives' job to provide their farm customers with economic supply, they often use imported products. Trading arrangements with foreign cooperatives might also be helpful. U.S. cooperatives need to federate into larger foreign trade co-op groups to achieve economies of size and market power necessary in the realm of foreign trade, whether for marketing or purchasing.

### **3.7 Agricultural Credit Cooperatives/Corporations (A.C.C.)**

Agricultural credit cooperatives in the United States consist of federal land bank associations, rural credit unions, production credit association, banks for cooperatives and agricultural credit corporations.

Agricultural Credit Corporation, statutes are infrequent because farmers can adequately organise, under federal law, in production credit associations and credit unions to supply their short-term credit needs.

Cooperatives agricultural credit corporations are found in cotton, livestock, poultry and fruit and vegetable enterprises, among others. These credit cooperatives take the notes pledged then as collateral for monies loaned to farmers and discount these notes with the Federal Intermediate Credit Banks. In this manner, short-term funds flow more freely to farmers and aid them in financing crop and livestock products. However, agricultural credit corporation laws are useful to state statutes because, in the future, the credit needs of farmers will become more acute and agricultural credit corporations will become more important. This is especially true in the case of vertical integration and contract farming.

### **3.8 Agricultural Service Cooperatives**

Included in agricultural service cooperatives are artificial breeding and dairy herd improvement associations; irrigation and grazing associations; and trucking, storing, machinery, freezing and other servicing organisations.

As farming becomes more specialised and in need of greater services, both for input and output, it appears that cooperatives could help fill some of these needs. For example, leasing by cooperatives to farmers of expensive, specialised machinery might be feasible as well as the customised performance by cooperatives of specialised tasks which could reduce farmers' costs compared with doing these tasks individually.

### **3.9 Cooperatives Idea in the U.S.A.**

The idea for a cooperative may originate from several sources, among which are:

1. Experience of other cooperatives.
2. Suggestions from cooperative specialists, trade sources, and journals
3. Individuals in the community proposing a cooperative as a solution to some existing problems
4. Community and/or area surveys dealing with economic development or other management or marketing problems
5. Addresses by co-operative specialists or co-op leaders on the possibilities of cooperation
6. Essay contests and other educational activities dealing with cooperatives
7. Organisational efforts of larger cooperatives, especially regional associations wishing to extend operations in a virgin area

#### **3.9.1 Fishery Cooperatives Limited Resources Agricultural Cooperatives**

Cooperatives influence the marketing of a far greater proportion of the catch. In many instances, they become the "yardstick" for marketing organisation in their segment of the industry. Other firms must meet their competition and trade on the same terms in order to stay in business. This also holds in reverse. Cooperatives must do as good a marketing job as other businesses for cooperatives to survive.

Low income, limited resources persons in rural farm and rural nonfarm areas are engaged in many types of cooperatives efforts. Usually, they are more apt to organise cooperatives dealing with vegetable and feeder pig marketing arts and crafts; farm supplies; self-help housing; farm machinery and fishing boat partnerships, among others.

## 4.0 CONCLUSION

The trends in co-operative development have become noticeable in the United States since World War II to the present day cooperatives, particularly regional, controlling more and more functions in the marketing system. Marketing cooperatives are processing farm products more completely and are carrying them nearer to the final consumer. Purchasing cooperatives are going into manufacturing and are carrying their activities nearer to the source of raw materials. Also, cooperatives are expanding 'run one nation to another, otherwise known as multinational cooperatives. Also, increase emphasis on farmers' bargaining cooperatives to enable farm groups to bargain more effectively with larger nonfarm buying firms recognitions given cooperatives by small businessmen. In earlier days, these men opposed cooperatives and regarded them as a threat. In recent years, they have come to see cooperatives as a bulwark against their possible liquidation and bankruptcy.

Increase activity toward mergers to reduce the number of small cooperatives and to expand coordination among cooperatives.

## 5.0 SUMMARY

In summary, you have learnt about the efforts to modernise plants and equipment and to upgrade the managerial performance of directors, management and employees of cooperatives. Also, you studied about the increased attention paid by cooperatives to foreign trade and to the organisation of cooperatives in underdevelopment nations and increased attention to co-op member involvement, participation and control over their cooperatives including redemption of their equities in a more timely fashion. Finally, you learnt the active involvement by cooperatives in the political process as the scope of government regulation and monitoring increased.

## 6.0 TUTOR MARKED ASSIGNMENT

Discuss the evolution and historical analysis of the U.S.A. agricultural cooperative.

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Cooperatives - benefits

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## **UNIT 4 PROBLEMS OF AGRICULTURAL COOPERATIVE IN THE U S A**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Initial Problems they Encountered and Solutions Proffer to Such Problems
  - 3.2 Problems Inherent in Conventional Cooperatives
  - 3.3 Future of Agricultural Cooperatives
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
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### **1.0 INTRODUCTION**

Modern agricultural cooperatives need considerable amounts of capital. Theoretically, the financing of cooperatives has been identified as one problem area for their future success. In part, the difficulties associated with raising capital are asserted to stem from heterogeneity among cooperative members, not the least of which is the so-called horizon problem. Here a number of potential heterogeneity dimensions are empirically investigated, in relation to financing and ownership of cooperatives.

### **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- examine the difficulties of agricultural cooperatives
- discuss the strengths and weaknesses as cooperative business organisations.

### **3.0 MAIN CONTENT**

#### **3.1 The Initial Problems They Encountered, and Solutions Proffer to such Problems**

Iliopoulos and Cook (1999: 78) considered avoidance of the holdup problem, by internalising crucial transactions, as the main benefit of a cooperative structure. Hansmann (cited by Iliopoulos and Cook, 1999), studied alternative organisational arrangements and governance

structures, including agricultural cooperatives, using a transaction cost theory of ownership as his framework, and argued that alternative institutional arrangements have developed in order to minimise the transaction costs of ownership and contractual arrangements. Iliopoulos and Cook (1999: 79) also refer to the “growing theoretical and empirical literature on new generation cooperatives”. Although cooperatives have served, and are serving, an important function for many farmers, problems inherent in conventional cooperatives have given rise to doubts about the sustainability of these cooperatives and sometimes to the establishment of other forms of business organisation. These problems or weaknesses are discussed in the next section.

### **3.2 Problems Inherent in Conventional Cooperatives**

Much research has focused on the problems inherent in the traditional cooperative organisational form that create disadvantages for cooperative members (e.g., Vitaliano, 1983; Porter and Scully, 1987; Cook, 1995; Royer, 1999). Cook (1995) presents five core problems, also discussed by Royer (1999), namely the free rider, horizon, portfolio, control, and influence cost problems.

#### **Control problem**

Any organisation in which ownership and control are separate will to some extent, experience principal-agent problems due to divergence of interests between the principal (e.g., cooperative members and their representative board of directors) and the agent (management) (Cook, 1995). Preventing this divergence of interests may be more of a problem in conventional cooperatives “because of the absence of a market for exchanging equity shares and the lack of equity-based management incentive mechanisms available to other firms” (Royer, 1999: 55). The absence of an equity market for cooperative shares means that members are not able to monitor their cooperative’s value or evaluate managers’ performance. The lack of equity incentive schemes for managers may be a disadvantage for cooperatives to attract and retain good managers, and may provide managers with an incentive to convert their cooperatives into IOFs.

Royer (1999) also points out that restricted cooperative membership to producers can contribute to the control problem in that production-oriented boards of directors are increasingly limited in monitoring the performance of managers as the cooperative expands and becomes more consumer-oriented. Specialists serving on the board or as managers may need to be employed to manage the changing circumstances better and for the cooperatives to better compete with other business organisations. However, restrictions on membership may prevent this. Nevertheless,

Iliopoulos and Cook (1999: 80) refer to studies which “argue that in cooperatives of relatively small size, characterised by singleness of purpose and homogeneous membership (in terms of individual member’s interests), the control problem may be less serious than in IOFs of similar size”. They cite Hansmann, who maintained that cooperative board members have the opportunity and vital interest to closely monitor management since the cooperative accounts for most of their income.

### **Free-rider problem**

The free-rider problem emerges when property rights are untradable, insecure, or unassigned (Cook, 1995). Royer (1999: 56) referred to it as “a type of common property problem that emerges when property rights are not tradeable or are not sufficiently well defined and enforced to ensure that individuals bear the full cost of their actions or receive the full benefits they create.” Both internal and external free-rider problems are often associated with conventional cooperatives. With regard to the internal free-rider problem (the common property problem), since the rights to residual claims in a traditional cooperative are linked to patronage instead of investment, new members receive the same patronage and residual rights as existing members although the new members are not required to make up-front investments proportionate to their use. The general tendency of the free-rider problem then is to encourage decisions that increase cash flows per member. This creates a disincentive for existing members to invest in their cooperative because of the dilution of their returns (Vitaliano, 1983; Cook, 1995; Royer, 1999). An external free-rider problem “is created whenever a cooperative provides its members with collective goods characterised by *de facto* unfeasibility of exclusion. The result is usually the no or suboptimal provision of these goods” (Iliopoulos and Cook, 1999: 80). Examples include where a non-member producer benefits from the terms of trade negotiated by a cooperative, or where the value of a cooperative processing facility is capitalised into the value of a nearby non-member’s farm (Cook, 1995; Royer, 1999).

### **Horizon problem**

This problem arises “when a member’s residual claim on the net income generated by an asset is shorter than the productive life of that asset” (Cook, 1995:11 ). The member is, therefore, likely to under-invest in the asset because the return he receives is less than the return generated by the asset. Conventional cooperatives suffer from the horizon problem due to the structure of the rights to residual claims, which are distributed to members as current payments. The benefits a member receives from



an investment are, therefore, limited to the period (horizon) over which the member expects to patronise the cooperative (Vitaliano, 1983; Royer, 1999). A consequence of this is that cooperatives will tend to under-invest in assets with long-term payoffs (e.g., research and development, and marketing). Boards of directors and managers are, therefore, under pressure to increase current payments to members instead of investing in additional assets and to accelerate equity redemptions at the expense of retained earnings (Cook, 1995; Royer, 1999).

### **Influence cost problem**

“Influence costs are those costs associated with activities in which members or groups within an organisation engage in an attempt to influence the decisions that affect the distribution of wealth or other benefits within an organisation” (Royer, 1999: 56). Cook (1995) argues that in a cooperative involved in a wide range of activities, diverse objectives among its members can result in costly influence activities. These costs can include both the direct costs of influence activities and the costs of poor decisions in terms of misallocation of resources.

The size of influence costs depends on: the existence of a central authority with the ability to influence the distribution of costs and benefits to members, the procedures that dictate decision making, and the degree of homogeneity or conflict among members (Cook, 1995; Royer, 1999; citing Milgrom and Roberts, 1990). Cooperatives may experience greater influence costs than other forms of organisation because “the interests of cooperative members, which are linked to individual farm production activities, are more diverse than the interests of corporate stockholders, who share a common objective of maximising wealth” (Royer, 1999: 56).

### **Portfolio problem**

Cook (1995: 1157) refers to this as “another equity acquisition problem” from the cooperative’s perspective. This problem occurs in conventional cooperatives because members “invest in the cooperative in proportion to their use and because equity shares in the cooperative generally cannot be freely purchased or sold. Therefore, members are unable to diversify their individual investment portfolios according to their personal wealth and preferences for risk taking” (Royer, 1999: 55). This leads to suboptimal investment portfolios, and cooperative members who have to accept more risk than they prefer will pressure the board of directors and managers to reorganise the cooperative’s investment portfolios to reduce risk, even if this means lower expected returns

(Cook, 1995). Royer (1995, 1999) contends that cooperative members have to carry these risks alone because potential outside investors, who could diversify the risks, are generally excluded from investing in a cooperative. This problem is exacerbated if a member's investment in the cooperative represents a high proportion of his off-farm investment and to the extent that his farming risks are positively correlated with the risks associated with the cooperative.

In addition, other reasons are an indication of market failure, either due to market power or due to the inability or lack of willingness of IOFs to provide necessary goods and services.

Difficulties Faced by agricultural Cooperatives during formation or starting a new business, whether the business will be a cooperative or not, is not easy. In case of a cooperative, perhaps this task is more complicated because of their unique features such as their methods of allocating net income, handling equity, and selecting board members. The problems faced by the agricultural cooperatives may be an effective way to prepare cooperative farmers (entrepreneurs) for potential problems they may face when they try to form a cooperative. The survey results show that raising equity was the most important problem overall during the formation stage of these agricultural cooperatives. The agricultural cooperatives also had problems raising of debt-capital (ranked 2nd overall) and developing a marketing plan (ranked 3rd overall). These are clearly serious roadblocks for any kind of business trying to establish itself and succeed. However, a sound marketing plan will, or at least should, make solving the capital problems easier.

The common problem among farmers (entrepreneurs) and underscores the need for agricultural business-oriented training and education for members.

The following problems were common in the agricultural cooperatives:

- (i) finding member leaders
- (ii) developing a marketing plan
- (iii) raising equity
- (iv) raising debt capital,
- (iv) deciding what products/services to offer
- (v) finding a good location
- (vi) support from trade associations
- (vii) knowledge about cooperatives, and
- (viii) knowledge about legal issues related to cooperatives.

Four of the nine common problems above were ranked as the top four difficulties faced by cooperative entrepreneurs during the formation stage observed by G. F Ortmann & R.P King<sup>1</sup>(*March 2007*).

Another important problem identified was the problem of obtaining information on legal issues related to cooperatives. A common dilemma faced by cooperatives nowadays is how to form a board of directors that is capable of running a business in today's competitive world without compromising cooperative principles, policies, or laws governing the cooperative organisation. This is where training and education for cooperative board members, management, and employees become very important.

The problems currently faced by the agricultural cooperatives was competition in their major market or trade area was the most difficult factor of business for the respondents, followed closely by the difficulty associated with balancing the sometimes conflicting interests of cooperative members. While the first difficulty is generally common to all businesses, the second is very specific to cooperatives.

For example, in today's competitive market, most cooperatives face the often conflicting choices of running the cooperative to maximise returns or be more member service-oriented (Cobia and Dunn 1998). These two often conflicting choices make operating today's cooperative business more difficult.

Among other problems currently faced by the non-agricultural cooperatives, the following problems were highly ranked, and indicate changing political (Crime, Competition, Balancing member interests) and market environments, support from government agencies - for instance, budget cuts at both federal and state levels are affecting the ability of government agencies to provide business grants or loans, the dynamic business environment, exploiting their strengths and minimising their weaknesses. (e.g., Rural Business and Cooperative Development Services of the United States Department of Agriculture). Among the weaknesses identified by the agricultural cooperative respondents, their inability to recruit board members, marketing their product or service, and availability of long-term debt capital topped the list.

The agricultural cooperative faced various difficulties during their formative stages as well as during current operations. Raising equity was the most difficult problem faced by these cooperatives during formation. The second most difficult problem was raising debt capital. Among other vital problems faced by the cooperative during the

formative stage was developing suitable marketing and business plans and obtaining information on legal issues related to cooperatives.

Although on average, the cooperatives still face difficulties in operating their business. These agricultural cooperatives most frequently reported problems with maintaining their marketing plan, identifying and selecting a board of directors (in principle, such members must come from the cooperative membership only), maintaining and managing cash flow, and identifying cooperative leaders. While some of these problems, such as maintaining or managing cash flow, are common to all kinds of business, cooperatives have some special problems, such as identifying and selecting a board of directors. Training and education for cooperative board members, management, and employees were considered as the most important and necessary services for the success of cooperatives.

Among other important problems faced by these agricultural cooperatives during their formation stage was developing suitable marketing and business plans and obtaining information on legal issues related to cooperatives. Providing such information at the least possible cost (or free of cost) to farmers (entrepreneurs) interested in opening a cooperative form of business may reduce their burden substantially. Perhaps not surprisingly, such training and education were considered as the most important and necessary services for the success of cooperatives by the respondents in this study. Among the weaknesses identified by the agricultural cooperative their ability to recruit board members, marketing their product or service, and availability of long-term debt topped the list. As mentioned before, while some of these weaknesses are specific to cooperatives, others are common to all types of businesses.

Thus, market failure combined with members' desire and ability to pool their resources through a cooperative form of business resulted in the formation of most of the non-agricultural cooperatives. In this regard, agricultural cooperatives may have less problem because traditional financial institutions are familiar with agricultural cooperatives. Moreover, there are specialised financial institutions (e.g., CoBank) that finance agricultural cooperatives only.

The five problems inherent in a traditional cooperative raise the question of whether cooperatives can survive in, or adapt to, a rapidly changing economic and political environment. Even though cooperatives may have initially served a useful purpose, some authors hypothesise that, due to their inherent weaknesses (attributable to their property rights constraints), conventional cooperatives will have to exit or reorganise as

the market evolves (Royer, 1999). Cook (1995) postulated a five-stage cooperative life cycle that seeks to explain the formation, growth and eventual decline of a cooperative. As the cooperative matures and the members become increasingly aware of the inherent problems as well as the cooperating benefits that may be lost if operations ceased, members and their leadership will have to consider their long-term strategic options (tradeoffs between the benefits and costs) and decide whether to exit, continue, or convert into another business form. Cook (1995) suggests that under the exit option, a cooperative has two alternatives available, namely, to liquidate the business or to restructure. Schrader (1989) contends that poor-performing cooperatives opt to liquidate or merge with other cooperatives, while high performing cooperatives restructure. Jacobson (1992) points out that the reason leaders of milk cooperatives in Ireland gave for converting to opt to liquidate or merge was that additional capital was required and members were unwilling to invest that additional capital.

### **3.3 Future of Agricultural Cooperatives**

Schrader (1989) felt that cooperative principles and practices placed capital constraints on growth. Jacobsen (1992) argued that the failure to implement these principles and practices effectively was the reason.

Porter and Scully (1987) also conclude that cooperatives were less efficient than opt to liquidate or merge and that their relative inefficiency was due to the inherent weakness in their property rights structure.

They further argue that cooperatives survive, despite their relative inefficiency, because of free services provided by the USDA, favourable tax treatment, and favourable credit terms. Cook (1995) argues that two phenomena were occurring in agricultural cooperatives in the U.S., namely,

- a. Conventional cooperatives were adjusting to their property rights constraints by exiting, restructuring, and shifting to other organisational forms (these changes appeared to have helped to increase cooperatives' market share growth since 1988).
- b. Dramatic growth in NGCs. King (1995) feels that the greatest strength of cooperatives is their ability to generate institutional innovations that allow them to respond to changing conditions and needs. He continues that much can be learned by simply observing and describing the formation, evolution, and operation of successful cooperatives.

It was also found that the degree of success of these cooperatives was independent of their open- or closed- membership policy. It is apparent that these agricultural cooperatives possessed some important factors or ingredients necessary for success in business as their strengths (e.g., good management quality). To be able to achieve such a balance, agricultural cooperatives will need cooperative leaders with foresight, who understand the business world as well as the cooperative culture, who will be able to strike a balance between the interest of the members as well as that of the board of directors and/or management, and who will be able to build on the strengths of the cooperative organisation.

Not surprisingly, finding such leaders was identified as one of the major problems by the agricultural cooperatives in this study. Perhaps the old adage 'where there is a will, there is a way' sums up the tasks ahead for these agricultural cooperatives. As for the potential cooperative entrepreneurs, they should try to find ways to overcome and/or avoid difficulties faced by these agricultural cooperatives during their formation and current stages of operation.

The agricultural cooperatives will also identify several aspects of their businesses as their strengths such as identified customer relations, workforce quality, being provider of a unique product or service, trust among members, low member turnover, board management relations, and management quality as major strengths.

These agricultural cooperatives will also clearly identify their roles as cooperatives. E.g., they will be able to reduce members' cost of doing business, or they will be filling an important void by providing unavailable goods and services, or they were able to help members remain independent, among others.

#### **4.0 CONCLUSION**

Cooperatives have played an important role in the development of agriculture in industrialised countries as suppliers of farming requisites, marketers of agricultural commodities, and providing services such as grain storage and transport. It appears that many of these agricultural cooperatives are adapting their operations to the rapidly changing economic environment characterised by technological change, the industrialisation of agriculture and growing individualism.

## 5.0 SUMMARY

This unit has also shown that for the continued success of the agricultural cooperatives will require external facilitation and assistance to overcome their organisational and management problems. This is where various public institutions, such as government agencies and land-grant institutions, which have been paying more attention to the agricultural sector and agricultural cooperatives, can make substantial contributions toward agricultural cooperative development efforts. Such public institutions may be able to allocate some of their resources to meet the needs of the agricultural cooperatives in the form of training, education, consulting services, etc. and help these cooperatives overcome their difficulties at various stages of their life cycles.

## 6.0 TUTOR-MARKED ASSIGNMENT

List and explain the problems of agricultural cooperative in U.S.A. and solutions to those problems.

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## **UNIT 5 THE ROLES PLAYED BY COOPERATIVES IN INDIAN DEVELOPMENT**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The Roles Played by Cooperation in Indian Development
  - 3.2 The Salient Features of the Cooperatives Movements
  - 3.3 The All-India Rural Credit Survey Committee Report
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References and Further Reading

### **1.0 INTRODUCTION**

#### **BRIEF EVOLUTION OF COOPERATIVES IN INDIA**

The cooperative movement in India owes its origin to the agriculture and allied sectors. Towards the end of the 19th century, the problems of rural indebtedness and the consequent conditions of farmers created an environment for the chit funds and cooperative societies. The farmers generally found the cooperative movement an attractive mechanism for pooling their meagre resources for solving common problems relating to credit, supplies of inputs and marketing of agricultural produce. The experience gained in the working of cooperatives led to the enactment of Cooperative Credit Societies Act, 1904. Subsequently, a more comprehensive legislation called the Cooperative Societies Act was enacted. This Act, inter alia, provided for the creation of the post of registrar of cooperative societies and registration of cooperative societies for various purposes and audit. Under the Montague-Chelmsford Reforms of 1919, cooperation became a provincial subject, and the provinces were authorised to make their own cooperative laws. Under the Government of India Act, 1935, cooperatives were treated as a provincial subject. The item "Cooperative Societies" is a State Subject under entry No.32 of the State List of the Constitution of India.

### **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- discuss the cooperative development in India
- explain the salient features of the cooperative movement in India.

### **3.0 MAIN CONTENT**

#### **3.1 Role Played by Cooperation in Indian Development**

Cooperation in India started between 1860 and 1880 as a result of untold suffering which the money-lenders inflicted upon the general populace. The first person to introduce Co-operative Societies to India was Lord Wenlock. He was a Governor in India. In 1892, he sent one Mr Frederick Nicholson to observe and study cooperation in Europe with a view to starting cooperatives amongst the poor people of India.

The report that Mr Nicholson submitted to Governor Lord Wenlock in 1901 led to the formation of many Cooperatives Thrift and Credit Societies amongst the farmers. From then; several people embraced thrift as a method to provide ahead to meet, and credit societies delivered the farmers from the burden of indebtedness which they would have continued to pass from generation to generation. After the Second World War, the spread of cooperative societies in India brought about a lot of development to individual citizens and the country as a whole.

The government further embarked mass cooperative education, because they saw it as the easiest to alleviate the economic problem of the people. The cooperative sector has been playing a distinct and significant role in the country's process of socio-economic development. There has been a substantial growth of this sector in diverse areas of the economy during the past few decades. The number of all types of cooperatives increased. The cooperatives have been operating in various areas of the economy such as credit, production, processing, marketing, input distribution, housing, dairying and textiles. In some of the areas of their activities like dairying, urban banking and housing, sugar and handlooms, the cooperatives have achieved success to an extent, but there are larger areas where they have not been so successful.

#### **3.2 The Salient features of the Cooperatives Movements**

The salient features of the cooperatives movements were the development of multipurpose cooperatives. Since 1937, the Reserve Bank of India has been strongly advocating the idea of organising such societies. The multipurpose society grants credit to members, supplies better seeds, fertilisers and implements, markets their produce, helps them in irrigating their lands and supplies other needs at a fair price. However, the functions of better farming, credit and better living are all performed by one society, and has progressed in States like Gujarat, Karnataka, Madras, Maharashtra and Uttar Pradesh. In order to cover Cooperative Societies with membership from more than one province,

the Government of India enacted the Multi-Unit Cooperative Societies Act, 1942. This Act was an enabling legislative instrument dealing with incorporation and winding up of cooperative societies having jurisdiction in more than one province. With the emergence of national federations of cooperative societies in various functional areas and to obviate the plethora of different laws governing the same types of societies, a need was felt for comprehensive Central legislation to consolidate the laws governing such cooperative societies. Therefore, the Multi-State Cooperative Societies Act, 1984 was enacted by Parliament under Entry No. 44 of the Union List of the Constitution of India.

After India attained Independence in August 1947, cooperatives assumed a great significance in poverty removal and a faster socio-economic growth. With the advent of the planning process, cooperatives became an integral part of the Five Year Plans. As a result, they emerged as a distinct segment in our national economy. In the First Five Year Plan, it was explicitly stated that the success of the Plan would be judged, among other things, by the extent it was implemented through cooperative organisations.

### **3.3 The All-India Rural Credit Survey Committee Report**

The All-India Rural Credit Survey Committee Report, of 1954 recommended an integrated approach to cooperative credit and emphasised the need for viable credit cooperative societies by expanding their area of operation, encouraging rural savings and diversifying the business. The Committee also recommended for government participation in the share capital of the cooperatives.

Today, people from different parts of the world are visiting to learn about cooperative societies. The poverty was so common-place that almost 75% of India's population was starved of all essentials of living; though their main occupation was farming, yet they could not feed well. All the farm produce were under the control of the rich 25% of the total population. These few people were 'stinkingly' rich while others were put in abject poverty. They usually gave usury to the poor farmers at a very high rate of interest.

Whenever they borrowed money from their lenders, the farmers would use their farm inputs as collateral security. But during the harvest, these money-lenders would take the farm produce by force in place of the usury given to the poor farmers. Thus these farmers were wholly enslaved by their creditors. As the money-leaders were becoming richer, so the farmers were becoming poorer.

The indebtedness of these farmers was growing at an alarming rate, to the extent that they could not do otherwise, but rather serving the money-lenders.

The following were the causes of their indebtedness:

1. The farmers did not have any savings. Instead, they relied on the money-lenders for day-to-day borrowing.
2. Their debt was so much that they had to pass it to their children.
3. Being poor, they were mainly subsistence-farmers and often fell victim to the vagaries of the weather, which affected their farm output or yield.
4. The farmers were too extravagant, especially in marriages and funeral ceremonies. This may be a cultural factor, but it became a general habit among the farmers.
5. They did not have sufficient lands for farming and housing.
6. The rich landowners and landlords.

The failure of cooperatives in the country is mainly attributable to dormant membership and lack of active participation of members in the management of cooperatives. The backlog of overdue in the cooperative credit institution, lack of mobilisation of internal resources and over-dependence on government assistance, lack of professional management, bureaucratic control and interference in the management, political interference and over-politicisation have all proved harmful to their growth. The predominance of vested interests resulting in non-percolation of benefits to a common member, particularly to the class of persons for whom such cooperatives were basically formed, has also retarded the development of cooperatives. These are the areas which need to be attended to by evolving suitable legislative and policy support.

#### **4.0 CONCLUSION**

In this unit, we have learnt the India cooperatives contributions of different States drew up various schemes for the cooperative movement for organising large-size societies and provision of State partnership and assistance. During the 1960s, further efforts were made to consolidate the cooperative societies by their reorganisation. Consequently, and increased in multipurpose societies based on positive effect on cooperative development that assisted in providing solution better living.

## 5.0 SUMMARY

Cooperatives in India are an integral part of their economy. Cooperatives have been successfully catering to the needs of both rural and urban areas, providing necessary goods and services care, along with much-needed employment the potential of the cooperative approach and difficulties and prospects associated with it in the business world.

## 6.0 TUTOR MARKED ASSIGNMENT

Examine the evolution of India cooperative development.

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**MODULE 3**

Unit 1	Historical Development of the Nigerian Cooperative Movement, its Achievement, Constraints and Future Prospects
Unit 2	Modern and Traditional Pattern of Cooperation in Nigeria
Unit 3	Structure of the Cooperative Movement in Nigeria
Unit 4	The Activities of the Following: ANCE, NACCUN, NACMO, CFN, and NCISN
Unit 5	The Role of International Agency for Cooperative Development (ICD), World Council of Credit Unions – WOCCU and IFAP – International Federation of Agricultural Producers, International Fund For Agricultural Development (IFAD)
Unit 6	History, Objectives and the Importance of the International Cooperative Alliance

**UNIT 1 HISTORICAL DEVELOPMENT OF THE NIGERIAN COOPERATIVE MOVEMENT, ITS ACHIEVEMENT, CONSTRAINTS AND FUTURE PROSPECTS**

**CONTENTS**

1.0	Introduction
2.0	Objectives
3.0	Main Content
3.1	Historical Development of the Nigerian Cooperative Movement
3.2	Nigerian Cooperative Movement its Achievement
3.3	Constrains and Future Prospects
4.0	Conclusion
5.0	Summary
6.0	Tutor Marked Assignment
7.0	References/Further Readings

**1.0 INTRODUCTION**

The historical concept of cooperation in Nigeria started as far back as 1907. Notable among the earliest cooperative societies was Agege Planters Union (APU), made up of cocoa producers. About four hundred (400) cocoa farmers came together to ensure that cocoa was the major farm produce earning foreign exchange for Nigeria.



## 2.0 OBJECTIVES

By the end of this unit, you will be able to:

- discuss the historical development of the cooperative movement in Nigeria
- identify the achievement of the cooperative movement in Nigeria
- explain the constraints and future prospects of the cooperative movement in Nigeria

## 3.0 MAIN CONTENT

### 3.1 Historical Development of the Nigerian Cooperative Movement

Nigeria was one of the countries that founded ACCOSCA. Other countries include Cameroon, Ethiopia, Ghana, Kenya, Lesotho, Liberia, Malawi, Tanzania, Uganda, Gambia and Mauritius Island.

In Nigeria, when Agege Planters Union (APU), made up of cocoa producers was not immediately recognised by the government, they did not relent on their efforts. There were still other farmers union existing elsewhere. The reasons for joining together were:

- To pool resources together so that they could purchase inputs of production at reduced prices and passing the benefits to their members.
- To exchange ideas by sharing experience on how they could produce the best quality cocoa.
- To collectively fight for government recognition, this was slow in coming. The Ibadan farmers recognised the need to join the already existing association of Agege Planters Union (APU) and the Egba Farmers Union. They sought for inclusion in the association and were admitted.

The Colonial masters, with the formulation and enactment of cooperative legislation in 1935 based on the report of Mr F.F. Strickland stated that cooperative would thrive in Nigeria. When the government

realised the significance of cooperatives, it commissioned on Mr C.F. Strickland submitted in 1955, titled “The Introduction of Cooperative Societies in Nigeria” he strongly advocated the introduction and development of Cooperatives. He also proposed and actually drafted the relevant Ordinance and Regulations. Later the government saw the need to promote savings habit among low-income people. With another report which Mr Strickland submitted in 1936, (CTCS) Co-operative Thrift and Credit Societies were formed, and it spread all over Eastern and Western Nigeria.

Moreso, the enactment of the ordinance saw more rapid development of cooperative since the enabling framework has been provided. Even though some of the early Cooperatives collapsed for several reasons, the mistakes having been learnt a lot more was formed especially after Nigeria’s independence 1960. The efforts of the colonial government in spreading Cooperatives from independence to the present, concerted efforts are being made to bring cooperatives to every community. As more states were created so also cooperatives are brought nearer to the grassroots.

Among the people who contributed to the cooperative movement especially in Western Nigeria, were Chief Makanjuola, Chief Akinpelu Obisesan, (Sir) J.T. Caxton Idowu, Samuel Aboluwodi, S.O. Abatan, and Pastor E.T Latunde and, all of blessed memory. They fought relentlessly to spread the gospel of cooperation in the West during their life-time. Though they are late, yet their footprints remain indelible in the sands of Nigerian cooperatives.

### **3.2 Achievements of Nigerian Cooperative Movement**

Since the inception of cooperatives in Nigeria, the government has been playing prominent and laudable roles in its development and spread. The initial achievement of the government on cooperatives was the promulgation cooperative laws and the cooperative regulations, which followed on the 6th February 1936. In 1937, Gbedun Cooperative Produce Marketing Society became the first Cooperative Society to be registered by the first Registrar of Cooperative Societies in Nigeria.

After these developments, several Cooperative Societies and Union were formed and registered by the government through the Western Ministry of Trade, Industry and Cooperative.

In 1953, The Cooperative Bank Plc was established by the Cooperative Movement to provide for the financial needs of members of Cooperative Societies in Nigeria. A sum of One Million Pounds (part of the proceeds

realised on cocoa Export) was approved for the take-off of the bank by the late Chief Obafemi, Awolowo., then Premier of the Western Region. Since that year, the bank has been playing crucial roles in the economic growth of individuals and the nation as a whole. Its multi-storey building on Oba Adebimpe Road, Dugbe Ibadan is the Head Office while its branches are all over the country.

The Nigeria Cooperative Societies Association (NCSA) which comprises all Cooperative Societies in Nigeria later became Cooperative Societies Association (CSA). It is upon this solid foundation and achievement that Cooperative Societies in the country are building up till today. And all indications point to a brighter future for Cooperatives in Nigeria.

Each new state also created a department in the appropriate ministry and saddle such department with cooperatives matters. As departments for Cooperative development were created in the appropriate ministries, it has helped in the promotion of Cooperatives in all parts of Nigeria. The Cooperative Federation of Nigeria was formed in 1945 and formally registered in 1967. It is the national apex organisation which represents the entire cooperative movement in Nigeria at the International level and it promotes supports and advises cooperatives nationally.

### **3.3 Constraints and Future Prospects**

There are numerous Factors responsible for the failure of cooperatives movement in Nigeria; they include the following:

1. Inappropriate government political stability
2. Poor cooperative education
3. Dishonesty of cooperative leaders
4. Disloyalty of the membership
5. Inadequate supervision
6. Mismanagement of fund
7. Lack of infrastructure, e.g. good road, network, light etc
8. Lack of finance
9. Poor leadership
10. Pseudo/disguised cooperative
11. Poor Management/economic problem
12. Policy inconsistency/economic problem
13. Poor record-keeping and account.

### **3.4 Prospect of Cooperatives in Nigeria**

Umehali (2008) observed that in Nigeria, as far as cooperatives are concerned, there are prospects. In Nigeria, cooperative is required for rural development programmes which are a core government programme. This has to do with the enhancement of socio-political, economic base of the rural dwellers. Through cooperatives, farm inputs are distributed. This is more significant now that there are universities awarding degrees in cooperatives (Enugu State University of Science of Technology and Nnamdi Azikwe University). Lawal (2009), include Olabisi Onabanjo University and National Open University of Nigeria. Other universities have cooperative as an area in a programme (such as Agriculture). Polytechnics are not left out. Institute of Management and Technology award OND and HND in Co-operative. No doubt, all these will go a long way in enhancing human resources development for cooperative development. Cooperative is, therefore, required for nation-building in terms of food production, employment, income, raw materials for industries and foreign exchange. Women, through cooperatives, are now displaying their economic empowerment. They are now involved in various economic activities for the overall benefit of the country. Cooperative enjoys economies of scale as resources are pooled for investment, expansion and also starting new investments. Given that Nigeria is to a large extent, an agricultural country, and more so predominantly small-scale farmers and again small-scale industrial production. Cooperatives, therefore, will continue to play major roles in the Nigerian economy. Both the government and the private sector are conscious of this and should, therefore, support the operations of cooperatives in Nigeria. Through these activities, cooperatives and rural development objectives are achieved.

### **4.0 CONCLUSION**

In this unit, you have learned how cooperatives have spread all over Nigeria, and why they are more prominent in the western parts of the country. Many of the cooperative organisations and establishment have grown very big, and their roles in the nation's economic development cannot be over-emphasised. Despite the contributions to the problems facing the Nigerian cooperatives, and future prospects to the development of cooperative and the ideological struggle been a positive effect on cooperative development that assisted in providing solution to socio, economic and political factors.

## 5.0 SUMMARY

In summary, what an individual cannot do, a group of people can do it. People are encouraged to join societies in order to maximise benefits. Cooperatives are engaged with multi-economic activities that yield extra income to the members. Members benefit economically and socially. They raise fund which individuals benefit from in the form of loan to expand their investment.

## 6.0 TUTOR MARKED ASSIGNMENT

In Nigeria, cooperatives are veritable instruments for achieving growth and development. Discuss.

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## **UNIT 2      MODERN AND TRADITIONAL PATTERN OF COOPERATION IN NIGERIA**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objective
- 3.0 Main Content
  - 3.1 Modern and Traditional Pattern of Cooperation in Nigeria
  - 3.2 Comparing Formal Cooperative with Self-Help Organisations and Area of Similarities between Them
  - 3.3 Areas of Similarities between Cooperative and Self-Help Organisation
- Conclusion
- 4.0 Summary
- 5.0 Tutor Marked Assignment
- 6.0 References/Further Reading

### **1.0 INTRODUCTION**

The modern cooperative was developed from the traditional forms of cooperative. The cooperative actions of the modern cooperative are based on voluntary agreements by individual actions. The voluntarism is the main tenet of modern acts of the cooperative. The rules and modes of actions of working together are different from one instance to another. The Traditional cooperative on the other hands, the examples are mutual assistance which combines customary arrangement for securing assistance from neighbours on the occasions and events such as birth celebrations, death/funeral ceremonies and assistance to the injured or sick.

### **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- explain the modern and traditional pattern of cooperation in Nigeria
- compare the formal cooperative with self-help organisations and area of similarities between them.

### **3.0 MAIN CONTENT**

#### **3.1 Modern and Traditional Pattern of Cooperation in Nigeria**

Traditional cooperative (old school) refers only to the historical cooperatives models such as the Rochdale Equitable Pioneer, which is the first cooperative organisation in the world and established in 1844 in England. The members of the traditional cooperatives usually make an explicit demand for particular services, and management must comply with the decision to execute only. The more advanced forms of the traditional cooperative were demonstrated in savings and lending, joint possession of the land. They did not leave life's risks and emergence to chances these were common in Nigeria such as the "Esusu" in the Yorubaland and "Adashi" in Ibo land just to mention few. They developed various patterns of mutual assistance, reduce them to custom and handed them as tradition and as a legacy from past through formal and informal education. It should be noted that various names were ascribed to traditional cooperative such as traditional cooperative institution, common initiative group (CIP), Self-help organisation. Traditionally, many cooperatives were involved in three main areas of business:

- (1) The purchase and sale of agricultural inputs and equipment;
- (2) The purchase, storage and subsequent sale of agricultural commodities; and
- (3) Transport services (Piesse *et al.*, 2003).

Traditionally, the organisation of the cooperative movement is in tiers; this will be discussed in the unit. It should be stressed that cooperatives do not need to follow the traditional structure. Circumstances in a particular country or region might dictate a different structure, whatever the manner or level of organisation, the basic aim of the cooperative movement is to improve the economic welfare of the members.

#### **3.2 Comparing Formal Cooperative with Self-Help Organisations and Area of Similarities between Them**

Fred (2006), comparing formal cooperative with self-help organisations and area of similarities between them, noted the following differences:

A cooperative society is a business entity. As such, the management concepts, techniques and principles are applied which may not be emphasised in a self-help organisation.

Members own cooperatives. The capital invested in the business is for members who have taken the risks of investment. There is no such risk in self-help organisations.

Members control the cooperative by taking major decisions affecting the business. Members delegate whoever carries out activities in the cooperative. The committee members or what is sometimes called the board of directors are elected by the general members and delegated to manage the business. All these may not be applicable in a self-help organisation. An opinion leader in self-help organisations may be taking major decisions that a project needs to be executed without much consultation.

Cooperative is voluntary; the individual freely decides to join in the cooperative. Members who so desire are also free to withdraw as long as they fulfil all agreements to the business. This does not apply to a self-help organisation.

Members accept risks and benefits. They buy shares in the cooperative and expect to get benefits if the cooperative succeeds, but if it fails, they lose their investments; there is no such investments and risk in self-help organisation.

A cooperative is a long-term concern; it outlives its founding fathers. That is why sustainability in cooperatives is higher than that of self-help organisations. Some operate on an ad-hoc basis.

There are definite rules and regulations governing cooperatives as spelt out in the Cooperatives Decree of 1993, the cooperative laws of the various states of the federation and by laws of each cooperative organisation. But many self-help organisations are based on rules that are simple and are not necessarily reduced to contractual agreements. They fit into the normal behaviours of the community. They are capable of being modified depending on the changing circumstances and environment, which may result in the development of the group or community.

The process of registration of a cooperative is more rigorous than that of self-help organisation.



### **3.3 Areas of Similarities between Cooperatives and Self-Help Organisations**

Having looked at some areas of differences between formal cooperative and self-help organisation, let us briefly see their areas of similarities.

Individuals that form a cooperative share identical interest(s) or goal(s) and the same can be said of self-help organisation. It is the pursuit of such identical purpose that brings them together.

Roles exist in both self-help organisation and formal cooperation. Members must play these roles. The proper execution of these roles will enhance the attainment of objectives.

Group members also share values. These values are general agreement emphasised as positive or negative, that is, the “dos” and “don'ts” which are reflected in the constitution.

Communication exists in the group. This includes communication between one individual and the other as well as between one individual and the organisation.

Members of both organisations may enjoy a common identity. The identity separates members of an organisation from other organisations. Such identity includes recognised names and identical or peculiar mode of dressing, among others.

### **4.0 CONCLUSION**

In this unit, you have learnt about the different views on the modern and traditional pattern of cooperation in Nigeria. Comparing the formal cooperative with self-help organisations and area of similarities between them and drew up various schemes for the cooperative movement for organising large-size societies and provision of state partnership and assistance. During the 1960s, further efforts were made to consolidate the cooperative societies by their re-organisation. Consequently, and increased in societies based on the positive effect on cooperative development for better living.

### **5.0 SUMMARY**

The light of cooperation is spreading so fast in all cities and villages to the extent that new Credit Unions/Societies are springing up daily. The unions are now in thousands, with several affiliated societies. Indeed, the rate of increase attests to the fact that Cooperative Societies offer a

lot of benefits to their members. Recent events in Western Nigeria revealed that many business enterprises would have collapsed without the aid of Cooperative Credit Societies. Therefore any of the Cooperative Union could be visited to assess their contributions to our economy.

## **6.0 TUTOR-MARKED ASSIGNMENT**

1. Discuss the modern and traditional pattern of cooperation in Nigeria.
2. Compare formal cooperative with self-help organisations and identify areas of similarities between them.

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## **UNIT 3      STRUCTURE      OF      THE      COOPERATIVE MOVEMENT IN NIGERIA**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Structure of the Cooperative Movement in Nigeria
  - 3.2 Primary Cooperative Societies
  - 3.3 Secondary Cooperative Societies
  - 3.4 Tertiary Level
  - 3.5 Apex Cooperative Organisation
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The organisation of the cooperative movement is in tiers, which form a pyramid-shaped structure. At the bottom of the structure are primary cooperative societies whose membership consists of individuals. The primary societies serve their members directly. Their size may vary from small village societies to large societies serving several villages. The range of business of primary societies also varies from single-purpose cooperative societies engaging in, for example, retail trading, to multiple purposes combining, for instance, retailing and product marketing. Primary societies form the foundation of the cooperative movement; the success of the movement invariably hinges on grassroots support.

The next tier in the pyramid consists of “cooperative unions” also known as “secondary societies”. These operate on the same basis as primary societies except that their membership is limited to primary societies. Through these associations, primary societies they would not afford. For example, primary retail societies could combine to form a wholesales cooperative societies’ association which serves as the member primary societies. Secondary societies may further form a union at a regional or province level. For example, wholesale cooperative

associations in a particular province could combine to form a provincial wholesale cooperative union federation: the “apex union” composed of the union (*Cooperative Societies Act, 1982*) at the international level, cooperative are united under one umbrella of the International Cooperative Alliance (ICA).

## **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- discuss the structure of the cooperative movement in Nigeria
- describe primary cooperative societies
- explain secondary cooperative societies
- describe tertiary level
- illustrate the apex cooperative organisation.

## **3.0 MAIN CONTENT**

### **3.1 Structure of the Cooperative Movement in Nigeria**

The organisational structure of cooperation is a four-tier system with the mother union at the apex and primary societies at the base (Oshuntogun 1971). When considering the structure of cooperative societies in Nigeria, we would mention primary, secondary and apex organisation or tertiary societies. Let’s explain these one-by-one. It consists of the following in ascending hierarchical order.

### **3.2 Primary Cooperative Societies**

Membership is made up of people who share similar aims, hopes and aspirations. Members pay strong allegiances to the society. The primary level is more effective because member-patrons participate fully in the activities of the society. The society operates at the grass-root level, e.g. villages, quarters and towns. Examples are Cooperative Consumer Society (CCS), Cooperative Thrift and Credit Society (CTCS), etc.

Moreso, members of primary societies, are individuals or (natural persons). Such individuals decide to become members of the organisation voluntarily. They appear in two forms. One form is a situation whereby the individual member already has his/her individual enterprise or business, and the cooperative society is formed to serve as “service organisation” to the members so that each member will use the service gained from the society to expand his/her business. Example of such benefits includes giving loans, advice and supplying farm input to members.

The other form is a situation whereby the members collectively or jointly run a business enterprise and the benefits derived from this is for the members in general or as a group. Example of this could be found when members of a society engage in collective farming. Examples of Primary cooperative Societies are Farmers Cooperative societies, Consumer Cooperative Societies, Cooperative Thrift and Credit Societies e.t.c. For Primary Societies to be able to carry out the functions mentioned above, they must be financed by their members.

### **3.3 Secondary Cooperative Societies**

This consists of an affiliation of primary societies (union level) which operates at the local government level, cities e.t.c. The union renders services to primary societies as primary societies render service to individuals. Such services that are rendered to primary societies include giving advice, loans, grants, keeping the books and records of the primary societies. Examples are Cooperative Produce and Marketing Union (CPMU) Cooperative Thrift and Credit Union (CTCU). Members of Secondary Cooperative Societies are corporate bodies or primary cooperative societies. When primary societies join together, they become an association which may affiliate to a secondary society or a union. The union renders services to primary societies as primary Societies render services to individuals. Such services that are rendered to primary societies by secondary ones include, among others, giving advice, loans, grants, keeping the books and records of primary societies affiliated to them. The service also includes processing, selling of the agricultural products sent to them by these affiliated organisations. They also source for funds for the affiliated societies. As mentioned in the case of primary societies, affiliates of secondary societies must financially support their secondary or union.

### **3.4 Tertiary Level**

The tertiary is known as the league of unions which operates at the state level. All the unions are the members of the state league, e.g. League of Cooperative Thrift and Credit Union (LCTUC); League of Cooperative Fishermen Union (LCFU). The leagues assist the cooperative fishermen union in the interpretation of laws and policies and in solving their general problems. Secondary Societies or Unions form Tertiary Cooperative Societies. Areas, where tertiary societies can be useful to secondary societies, include the promotion of education, representing the affiliates nationally and internationally, linking with the government, sourcing scholarships for cooperators that belong to their affiliated Societies. Other areas include arranging workshops, seminars for

managers/secretaries auditing the books and records of secondary and primary societies, etc.

### **3.5 Apex Cooperative Organisation**

An apex organisation formed to render better services to secondary societies receives its membership and power from the affiliated unions, which makes its membership to be the smallest compared with the unions and the primary societies. Its main objective to increase the bargaining power and strength of the society. There are three types of apex organisations. First is the national apex Organisation. Examples of this are the Cooperative Federation of Nigeria (CFN), and the National Association of Cooperative Credit Union of Nigeria (NACCUN). The second type is the regional apex organisation. Examples of this are the Cooperative Supply Association (CSA), Association of Nigerian Cooperative Exporters (ANCE). The third type is the state apex cooperative organisations. Examples are State Cooperative Federations like Oyo State Cooperative Federation. Federation of Osun State Cooperatives, Katsina State Cooperative Federation e.t.c. Examples of apex organisations are the Association of Nigeria Cooperative Exporter (ANCE), and the Cooperative Supply Association (CSA) are examples of regional cooperative organisations, Nigeria Agricultural and Cooperative and Rural Development Bank (NACRDB), Cooperative Federation of Nigeria (CFN) are examples of the national cooperative organisation while the International Cooperative Association (ICA) is an example of international cooperative organisation.

### **4.0 CONCLUSION**

It should be stressed that cooperatives do not need to follow the traditional structure. Circumstances in a particular country or region might dictate a different structure, whatever the manner or level of organisation, the basic aim of the cooperative movement is to improve the economic welfare of the members.

### **5.0 SUMMARY**

In this unit, we have discussed the structure of cooperative societies in Nigeria. We identified primary, secondary and apex organisation or tertiary societies.

## **6.0 TUTOR-MARKED ASSIGNMENT**

Discuss the structure of the cooperative movement in Nigeria.

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## **UNIT 4 THE ACTIVITIES OF THE FOLLOWING: ANCE, NACCUN, NACMO, CFN, AND NCISN**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Association of Nigerian Cooperative Exporters (ANCE)
  - 3.2 National Association of Cooperative Credit Unions of Nigeria (NACCUN)
  - 3.3 National Association of Cooperative Marketing Organisation (NACMO)
  - 3.4 Cooperative Federation of Nigeria (CFN)
    - 3.4.1 Cooperative Federations
  - 3.5 National Cooperative Insurance Society Nigeria Limited (NCIS)
  - 3.6 Corporate Responsibility
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The discussion in this unit shall focus on different associations and organisations of cooperatives in Nigeria. Brief illustration on why, how when they are established their importance and functions they perform.

### **2.0 OBJECTIVE**

At the end of the unit, you will be able to:

- describe the activities the Association of Nigerian Cooperative Exporters (ANCE)
- explain the activities the National Association of Cooperative Credit Unions of Nigeria (NACCUN)
- differentiate the National Association of Cooperative Marketing Organisation (NACMO) from the cooperative Federation of Nigeria (CFN)
- examine the activities of the National Cooperative Insurance Society of Nigeria Limited (NCISN).

### **3.0 MAIN CONTENT**



### **3.1 Association of Nigerian Cooperative Exporters (ANCE)**

This is the Association of Nigeria Cooperative Exporters limited. It comprises several Co-operative Produce Marketing unions in Oyo, Ondo, Ogun, Lagos and Ekiti States. It is established for exporting good quality Cocoa, Coffee and Palm kernels. It also specialises in the production and marketing of livestock feeds known as ANCE FEEDS.

Since its inception in 1945, ANCE has received several international awards for exporting quality agricultural products from Nigeria. The association has to its credit an ultra-modern office complex, popularly called ANCE BUILDING on Magazine Road, Oricho, Ibandan, as the head office. It has Area offices in Ondo, Ondo State, Abeokuta, Ogun State, and Apapa, Lagos State.

### **3.2 National Association of Cooperative Credit Unions of Nigeria (NACCUN)**

National Association of Cooperative Credit Unions in Nigeria was formed in 1970 for the propagation and development of Cooperative Credit Societies in Nigeria. The founders aimed at educating both the staff and the members on how to improve the existing Savings and Credit Cooperatives, especially among the lower and middle-income groups. Its founders believe that if we encourage savings to provide for credit facilities, NACCUN is therefore committed to the promotion of socio-economic development of our communities through collaboration with the federal government. It strongly believes that this is achievable through Thrift and Credit Societies. NACCUN has been encouraging and teaching Nigeria women to make savings and use such savings for credit facilities both in urban and rural set-ups.

This cooperative apex body is a member of the African Confederation of Cooperative Savings and Credit Association (ACCOSCA) of Credit Union (WOCCU). NACCUN administrative office is situated at plot 5, Adelabu Close opposite Custom and Excise Training School, Ikeja Lagos.

### **3.3 National Association of Cooperative Marketing Organisation (NACMO)**

The Nigerian Agricultural Cooperative Marketing Organisation (NACMO) was established as a national cooperative apex in 1987. It has the goal of promoting fully integrated multipurpose cooperatives for

food productions, processing, preservation, storage and marketing. It also specialises in the distribution of agricultural inputs. Since its inception, NACMO has been actively involved in the following:

- a) Promotion and coordination of interstate and intrastate marketing of food crops among cooperatives in the country.
- b) Importation and distribution of agro-input like fertilisers, seeds, farm implements and chemicals.
- c) Encouragement and promotion of multipurpose cooperative societies for food crops production and development.
- d) Sales of members produce to large scale agro-processors.

NACMO's Head-Office is at Lagos Badary Express-way, plot 234, Amuwo Odofin New Town, Behind Durbar 9 Festac 77 Hotel Plc), Lagos.

### **3.4 Cooperative Federation of Nigeria (CFN)**

The Cooperative Federation of Nigeria was formed in 1945 and formally registered in 1967. It is the national apex organisation which represents the entire cooperative movement in Nigeria. All state Cooperative Federation of Nigerian Cooperatives at the International level and it promotes supports and advises cooperatives nationally. It is a member International Co-operatives Alliance (ICA) as well as the International Federation of Agricultural Producers (IFAP). The CFN was formed to achieve the following goals:

- To ensure that cooperatives play their proper roles in the economic and social life of the nation by publicising the aims, purpose and benefits of cooperation.
- To work out a common policy and engender a sense of solidarity within the Co-operative Movement. This is done by holding national and regional conferences for the exchange of ideas and information on common problems and for mediating disputes within the movement.
- To make representation to the proper authorities concerning matters affecting the interest of the Cooperative Movement.
- To sponsor legislation for the growth and development of cooperatives and to hold a watching brief for the movement in legislative matters.
- To participate with the regions in the mass development of cooperatives education of staff and members.

CFN has achieved a lot in the mass development of Cooperatives within the country especially through its periodically publications and seminars.

### **3.4.1 Cooperative Federations**

States Cooperative Federation are members of CFN, and they are its representatives. This enables each registered Union and Society to benefit from CFN. The following are the responsibilities of each State Cooperative Federation to its members:

- To supervise and protect every registered union in the state.
- To audit the book and records of all registered unions and societies in the state.
- To send an audit report to the state Director of Cooperatives
- To act as an intermediary between the members and CFN.
- To audit and supervision fees from the registered societies/unions in the state.
- To settle disputes amicably among the cooperative members in the state.
- To act as an umbrella for all registered Cooperatives Societies in the state according to the order of the Director of Cooperatives.

To enjoy all the above services, any registered society/union can get in touch with the Executive Secretary of the Cooperative Federation in its state.

### **3.5 National Cooperative Insurance Society Nigeria Limited (NCIS)**

Its mission statement was to build a formidable cooperative insurance apex that ensures and guarantees the welfare of its members and their dependents.

National cooperative insurance Society Nigeria Limited (NCIS) was established on 25th November 1977 as the only national cooperative insurance apex institution to perform the dual function of issuing certificates of practice to cooperative societies wishing to practice insurance and also insure cooperators and their dependents in accordance with Section 1B of the Cooperative and Social Development (transfer of functions) Decree No. 28 of 1976.

On the 9th day of July 1980, NCIS was registered to continue as a conventional insurer under the Insurance Decree of 1976 to carry on the insurance of general businesses because of the expansion and wider

spread or cooperative societies across the nation. NCIS on the 16<sup>th</sup> July 1988 informed the Federal Government of its intention to limit its operation to the cooperative Societies to revitalise and supervise them effectively. The application was granted according to the provision of Section 1 (i) (a) and 3 (i) (c) of the Insurance Decree of 1976 as mutual concern for the purpose of cooperative societies without having share capital which is also protected by Insurance Decree 2 of 1997 section 97.

### **3.6 Corporate Responsibility**

National Cooperative Insurance Society assumed effective control and supervision of all affiliated registered and functional Cooperative Insurance Societies carrying on business anywhere in the federation and to act as their clearinghouse in the distribution of risk. And through the Cooperative Insurance, NCIS offers insurance to cooperators at reasonable rates.

The Services provided are:

1. Life Insurance.
2. Motor Insurance.
3. Fire and Special Perils Insurance.
4. Theft, House Breaking /Burglary Insurance.
5. Group Personal Accident.
6. Goods in Transit Insurance.
7. Money Insurance (Cash in Safe /Transit).
8. Workmen Compensation Insurance.
9. All Risk/Comprehensive Holders Insurance.
10. Cooperative Guarantee Bond.
11. Fidelity Guarantee Insurance.
12. Oil and Gas Insurance for Cooperators.
13. Marine Insurance for Cooperators.
14. House Owners and House Holders Insurance.
15. Death Insurance.

### **4.0 CONCLUSION**

In this unit, you have learnt the different associations' contribution to the cooperative movement in Nigeria. Also, you learnt the various efforts made to consolidate the cooperative societies by their organisation. Consequently, increased in societies based on the positive

effect on cooperative development that assisted in providing solutions for better living.

## 5.0 SUMMARY

In summary, cooperative associations engaged with multi-economic activities that yield additional assistance and partnership benefit socially and economically.

## 6.0 TUTOR-MARKED ASSIGNMENT

Discuss the activities of the following:

1. Association of Nigerian Cooperative Exporters (ANCE).
2. National Association of Co-operative Credit Unions of Nigeria (NACCUN).
3. National Association of Cooperative Marketing Organisation (NACMO).
4. Co-Operative Federation of Nigeria (CFN).
5. National Co-operative Insurance Society Nigeria Limited (NCISN).

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Cooperatives - benefits

## **UNIT 5 THE ROLE OF INTERNATIONAL AGENCY FOR COOPERATIVE DEVELOPMENT (ICD), WORLD COUNCIL OF CREDIT UNIONS – WOCCU AND IFAP – INTERNATIONAL FEDERATION OF AGRICULTURAL PRODUCERS, INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 The International Agency for Cooperative Development (IACD)
  - 3.2 World Council of Credit Unions (WOCCU)
  - 3.3 Policy and Advocacy
    - 3.2.1 Financial Inclusion
    - 3.2.2 Products and Services
    - 3.2.3 Annual Report
    - 3.2.4 Member Services
  - 3.4 International Federation of Agricultural Producers (IFAP)
  - 3.5 International Fund for Agricultural Development (IFAD)
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The role of different international cooperative organisations in promoting sustainable development around the world to empower people through reliable, affordable access to the high quality of basic needs and want has proved their worth as a source of assistance during a crisis, regardless of challenges posed by the operating environment. The understanding of the operations and activities of international agencies involved will assist in promoting cooperation among nations.

### **2.0 OBJECTIVES**

At the end of the unit, you will be able to:

- discuss the role of IACD, WOCCU and IFAP/IFAD
- explain the major role played by each organisation

- examine the main purpose of their establishment.

### **3.0 MAIN CONTENT**

#### **3.1 The International Agency for Cooperative Development (IACD)**

The International Agency for Cooperative Development (IACD) comprises different cooperative agencies such as ICA, WOCCU, ILO's, IFAP, FAO, just to mention a few of them. These agencies perform similar role and activities towards the growth and development of cooperative and peace movement locally and internationally between developed and developing countries. The role played by these agencies towards integrating economic development and eradication of poverty, thereby assisting the government through the provision of basic and social amenities. The IACD is an independent non-governmental association which unites, represents and serves cooperatives worldwide. Its members are national and international cooperative organisations in all sectors of activity including agriculture, banking, credit and saving, industry, insurances, fisheries, housing, tourism and consumer cooperatives. <http://www.prensacooperativa.com.ar/cgi-bin/Simbolos.asp>.

#### **3.2 World Council of Credit Unions (WOCCU) Insight on the Global Credit Union Movement**

The World Council of Credit Unions (WOCCU) is the global trade association and development agency for credit unions. It is the only organisation representing credit unions in developed and developing countries on a global scale. WOCCU promotes the sustainable development of credit unions and other financial cooperatives around the world to empower people through access to high quality and affordable financial services. WOCCU advocates on behalf of the global credit union system before international organisations and works with national governments to improve legislation and regulation. Its technical assistance programs introduce new tools and technologies to strengthen credit unions' financial performance and increase their outreach. WOCCU is funded by member dues, government agency and foundation grants and annual gifts to WOCCU's Worldwide Foundation for Credit Unions. World Council of Credit Unions and its subsidiaries are headquartered in Madison, USA. WOCCU also has a permanent office in Washington, DC, and program offices worldwide. In New York, at a time when many national economies are facing financial instability, cooperative enterprises have proven their worth as sources of assistance during the crisis and recognition of cooperatives' value. Worldwide,



49,000 credit unions in 97 countries serve 184 million people. In 2009, WOCCU's technical assistance programs reached 5.9 million people in 13 countries.

### **3.3 Policy and Advocacy**

WOCCU actively monitors and participates in the policy development of international organisations to ensure credit union interests are represented while global standards are formed. It has published several resources on drafting effective legislation, including *Model Law for Credit Unions*, *Model Regulations for Credit Unions* and a technical guide to *Credit Union Regulation and Supervision*. WOCCU also provides consulting for its member associations changing cooperative or financial sector regulation.

In 2007, WOCCU established the International Credit Union Regulators' Network to build capacity among supervisors and help shape effective standards for credit unions. The group meets annually to discuss current global regulatory issues and to undertake research on specific topics related to the oversight of financial cooperatives.

#### **3.3.1 Financial Inclusion**

WOCCU was founded on the belief that all people have the right to affordable, reliable and accessible financial services. Its technical assistance programs have provided millions of poor and low-income people access to the array of financial services they need through credit unions, regardless of challenges posed by the operating environment. WOCCU works with credit unions, their trade associations and regulators to drive savings mobilisation and regulatory development while creating integrated business networks. Its team of financial experts' works with local leaders to develop tailored products and services geared toward microfinance, rural finance and Islamic finance. Unlike many microfinance technical assistance providers that focus exclusively on credit, WOCCU's approach emphasises the mobilisation of member savings as the primary source of financing. This savings-based approach allows credit unions to reach greater scale in financial service provision and instils a level of financial discipline that ensures long-term sustainability. Since 1971, WOCCU has implemented more than 275 technical assistance programs to build safe and sound financial cooperatives in 71 countries throughout the world.

### 3.3.2 Products and Services

WOCCU Services Group (WSG) invests in the development of credit union products and services offered through local service organisations that are jointly owned by individual credit unions, their associations and WSG. Under the “Entura” brand, credit unions can provide members with shared branching, domestic and international remittances and cell phone banking services as well as additional access points through automatic teller machines (ATMs), point-of-sale (POS) devices at area businesses and personal digital assistants (PDAs) used by credit union staff during member visits. Entura pools credit union interests and negotiates on behalf of the international network to secure competitive rates. Credit unions that otherwise may not be able to afford such products and services gain market access through Entura and credit union members benefit from additional services at market price. WOCCU has created many web-based and locally installed financial tools, including its flagship PEARLS monitoring system, a set of financial ratios or indicators that help standardise terminology among institutions. The tools offer management guidance for credit unions and other savings institutions and can serve as supervisory tools for regulators.

### 3.3.3 Annual Report

With the 2010 Annual Report, WOCCU celebrated the strong foundation upon which World Council has been built over the past 40 years that has enabled them to stand strong in the face of the year’s numerous challenges and empower credit unions worldwide to do the same. WOCCU introduced new tools and technologies to strengthen credit unions’ financial performance and increase their rural outreach capacity.

### 3.3.4 Member Services

WOCCU advocates for credit union-appropriate legislation and regulation with governments worldwide and provides consulting services for regulatory system development and legislative reform on behalf of its members. WOCCU also tracks international credit union statistics, publishes the biannual *Credit Union World* magazine, sponsors International Credit Union Day<sup>®</sup> each October and hosts annual regional technical conferences and the World Credit Union Conference. Some WOCCU members participate in WOCCU’s International Partnerships Program, which pairs credit union associations, leagues and credit unions with an overseas counterpart to exchange operational, outreach and advocacy expertise. WOCCU

represents the interests of its members in nearly 60 countries. *Francisco Santos*, 2nd April 2003.

### **3.4 International Federation of Agricultural Producers (IFAP)**

IFAP was established in 1946 as an organisation that advocated on the international level member farm organisations. The French Tribunal de Grande Instance liquidated the organisation in a judgment made on 4th November 2010, to proceed with the liquidation of IFAP after an economic and political crisis. IFAP represented over 600 million farm families grouped in 120 national organisations in 79 countries. It was a global network in which farmers from industrialised and developing countries exchanged concerns and set common priorities to advocate farmers' interests at the International level, and had General Consultative Status with the Economic and Social Council of the United Nations. Source: From Wikipedia, the free encyclopedia

### **3.5 International Fund for Agricultural Development (IFAD)**

International Fund for Agricultural Development (IFAD) was established in 1977 by the United Nations specialised agency as an international financial institution from the outcome of the 1974 World Food Conference. The conference was organised in response to the food crisis of the early 1970s that primarily affected the rural areas of Sub Saharan countries of Africa. Also, the outcome of the conference was to establish IFAD immediately to finance agric development projects in developing countries.

IFAD mission is to enable poor rural people to overcome poverty. IFAD works with the poor rural people, government, donors non-government organisations and many other partners to overcome poverty. It focuses on country's specific solutions which can involve increasing poor people access to financial services, market technology, land, and other natural resources.

## **4.0 CONCLUSION**

In this unit, you have learnt about the role of different international cooperative organisation in promoting sustainable development around the world to empower people through reliable, affordable access to a high quality of basic needs and want, regardless of challenges posed by the operating environment.

## 5.0 SUMMARY

The understanding of operations and activities of international agencies involved will assist in promoting cooperation among nations and exposure for the cooperative movement for organising large-size societies and provision of state partnership and assistance.

## 6.0 TUTOR-MARKED ASSIGNMENT

Discuss the operations and activities of international agencies involved in promoting cooperation among nations.

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## **UNIT 6 HISTORY, OBJECTIVES AND THE IMPORTANCE OF THE INTERNATIONAL COOPERATIVE ALLIANCE**

### **CONTENTS**

- 1.0 Introduction
- 2.0 Objectives
- 3.0 Main Content
  - 3.1 Brief About ICA
  - 3.2 Aims of the International Co-operative Alliance
  - 3.3 Objectives of ICA
  - 3.4 What Does ICA Do?
  - 3.5 Work of the Alliance
- 4.0 Conclusion
- 5.0 Summary
- 6.0 Tutor-Marked Assignment
- 7.0 References/Further Reading

### **1.0 INTRODUCTION**

The International Co-operative Alliance was founded in 1895. It is an independent, largest non-governmental organisation that unites, represents and serves cooperatives worldwide. ICA members are national and international cooperative organisations in all sectors of activity including agriculture, banking, fisheries, health, housing, industry, insurance, tourism and consumer cooperatives.

### **2.0 OBJECTIVES**

At the end of this unit, you will be able to:

- discuss the major objectives of the international cooperative alliance
- explain the importance of the international cooperative alliance.

### **3.0 MAIN CONTENT**

#### **3.1 Brief About ICA**

Currently, ICA has 267 member organisations from 97 countries, representing approximately 1 billion individuals worldwide. Governance refers to how powers are distributed and exercised by different groups. It is concerned with the practices and procedures used by an organisation to ensure that it can meet its objectives. The ICA considers that this

Code of Governance is an essential feature in a modern and transparent cooperative organisation. The supreme governing authority is the Congress of affiliated associations held every three years. The constitution ensures a fair presentation of members and democratic control.

### **3.2 Aims of the International Cooperative Alliance**

According to the ICA monthly journal – Review of ICA to 1960-70 Series, ‘The International Cooperative Alliance in continuation of the work of the Rochdale Equitable Pioneers, seeks to promote a non-profit system of production and trade, organised in the interests of the whole community and based upon voluntary and mutual self-help.’

### **3.3 Objectives of ICA**

- 1) To be the universal representative of cooperative organisations of all types which observe ICA principles.
- 2) To promote cooperation in all countries.
- 3) To propagate cooperative principles and methods throughout the world.
- 4) To safeguard the interest of the cooperative movement in all its forms.
- 5) To foster good relations between cooperatives organisations of all types naturally and internationally.
- 6) To work for the establishment of lasting people and security.

### **3.4 What Does ICA Do?**

ICA’s priorities and activities centre on promoting and defending the cooperative identity, ensuring that cooperative enterprise is a recognised form of enterprise that is able to compete in the marketplace.

- ICA raises awareness about cooperatives.
- It helps individuals, government authorities, and regional and international institutions understand the cooperative model of enterprise.
- ICA is the voice of the cooperative movement.
- ICA ensures that the right policy environment exists to enable cooperatives to grow and prosper. It helps its members in their lobbying for new legislation and more appropriate administrative procedures that respect the cooperative model, its principles and values.

- It provides political support as well as technical expertise to enable cooperatives to compete on a level playing field.
- ICA provides its members with key information, best practice and contacts through its publications for the sharing of information.
- It organises meetings and workshops to address key issues affecting cooperatives and allows discussion among cooperators from around the world.
- ICA facilitates contacts between cooperatives for trading purposes and intelligence sharing in a wide range of areas.
- ICA provides technical assistance to cooperatives through its development programme.
- ICA promotes capacity-building and financial support; it facilitates job creation and supports poverty reduction and microfinance programmes around the world.

### 3.5 Work of the Alliance

- 1) **Providing information:** A statistics section is concerned with compiling data from member cooperatives while an economics section studies trends and developments affecting the cooperative movement.
- 2) **Literature:** A library has been built up and is ever-growing consisting of book, journals, reports, photographs and newspapers etc.
- 3) **Promoting International Understanding:** Every year, an international summer school is held in different countries, thus promoting fellowship and understanding.
- 4) **Publications:** The ICA has many publications the most significant of which is the Review of International Co-operation. A monthly journal published in English, French and German.
- 5) **Wholesale Services:** As cooperative marketing organisations develop into wholesale operations; consumer associations may be compelled to establish an international wholesale society or International purchasing organisation for particular commodities, e.g. petroleum, banking, insurance and housing. The International Co-operative Alliance's office is at 15, Route des Morillons, 1218 Grand-Saconnex Geneva, Switzerland.

### 4.0 CONCLUSION

In this unit, you have learnt about the ICA Strategic Plan that represents a global vision of the 'one ICA'. It entails planning for the central and regional offices as well as the sectoral organisations from 2009 to 2012. It includes commonly agreed strategic objectives, key result areas,



outcomes and indicators, as well as the strategic initiatives as defined by each component of the ICA.

## 5.0 SUMMARY

This unit has considered ICA as a means of positive change and accelerating cooperative development. It has discussed the aims, objectives work and planning programme of ICA.

## 6.0 TUTOR-MARKED ASSIGNMENT

1. Enumerate the aims and objective of ICA.
2. What does ICA do?

## 7.0 REFERENCES/FURTHER READING

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