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FARMER COOPERATIVES IN LEBANON

by

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ABSTRACT

Farmer cooperatives in Lebanon are of very recent origin. The Abadiyah Cooperative was formed in 1937 but at the end of 1955 only 22 cooperatives were registered with the Ministry of Agriculture. A great upsurge in the number registered began in 1956 when chemical fertilizer supplied by USOM was distributed free through cooperatives. The number registered on April 1, 1961 totaled 128 but only 11 were found to be functioning.

The 22 cooperatives reported by the Ministry of Agriculture to be operating were visited to secure information regarding the number of members, volume of business, capital investment by members, accumulated reserves, tangible and intangible benefits, democratic operation by the members, board of directors, and staff, etc. Only half of the cooperatives interviewed were found to be carrying on one or more services for the members.

During the 1959-1960 operating year, five societies had marketed products for members valued at LL 383,752; five had purchased LL 82,660 worth of supplies; three had done spraying of fruit trees for the members to the amount of LL 800; and five had extended credits and loans to their members to the aggregate of LL 29,906. Thus, the volume of business done by cooperatives with and for members is a very small percentage of the total annual volume of business done by farmers.

The main accomplishments of farmer cooperatives in Lebanon have been:

1. Educating members to produce improved quality products for market.
2. Supplying convenient credit to small scale farmers.
3. Providing a local supply of fertilizers, spray materials, sprayers, etc., to enable members to carry out recommended improved production practices.

4. Performing effective spraying service at cost for production of superior quality fruits.
5. Teaching farmers to grade their products.
6. Marketing graded and standardized products, which sell at highest prices.
7. Furnishing low-cost marketing service in the interest of producers.
8. Assuring members accurate weights and measures.
9. Providing all members impartial sale of their products.
10. Giving an accurate accounting of the proceeds of sale.

The principal shortcomings and deficiencies were found to be:

1. Lack of education of members and officers to understand cooperation, cooperative principles and practices, and how cooperatives function in serving members.
2. Insufficient capital for financing the services needed by members.
3. Shortage of funds to loan members for production purposes.
4. Volume of business inadequate to employ well qualified manager and staff.
5. Lack of suitable records and accounts; few audits by outside auditors.
6. Lack of guidance, training, and education by government officers.
7. Failure to follow basic cooperative principles and practices.
8. Failure to establish membership responsibility.

In spite of these shortcomings and few active cooperatives, it could not be fairly claimed that the Lebanese farmer is too individualistic to permit cooperatives to succeed. Lebanese farmers traditionally have worked together on an informal basis. With suitable education and guidance, cooperatives should make progress.

TABLE OF CONTENTS

	Page
CHAPTER -I-: INTRODUCTION TO COOPERATIVES	1
A. Brief History	1
B. What a Cooperative is	3
C. Cooperative Principles and Practices	4
D. Economic and Sociological Objectives	13
E. How Cooperatives Function	19
CHAPTER -II-: SURVEY OF COOPERATIVES IN LEBANON	28
A. How the Survey was Made	28
B. Number of Cooperatives	29
C. Number of Members	33
D. Volume of Business	38
E. Tangible Benefits	45
F. Intangible Benefits	50
G. Capital Investment in Cooperatives by Members	52
H. Board of Directors	56
I. Democratic Participation by Members	64
J. Cooperative Staff	67
CHAPTER -III-: EVALUATION OF COOPERATIVES IN LEBANON	70
A. Percentage of Cooperatives Registered now Operating	70
B. Accomplishments of Lebanese Cooperatives	72
C. Apparent Shortcomings, Inadequacies, Deficiencies	77
D. Objective Essentials for Success	85
E. Analysis of Cooperatives which Failed	95

	Page
CHAPTER -IV-: GOVERNMENT ACTIVITIES RE COOPERATIVES	109
A. Education of Farmers and Cooperative Members	109
B. Registration	110
C. Supervision	111
D. Technical Advice and Guidance	112
E. Taxation	113
F. Loans	113
G. Training of Personnel	114
CONCLUSION	115
APPENDIX	
LITERATURE CITED	

LIST OF TABLES

<u>Table</u>		<u>Page</u>
I	Function of largest revenue plus various services performed.	29
II	Distribution of cooperatives among the various regions of Lebanon.	30
III	Year of registration of agricultural cooperatives in Lebanon.	31
IV	Year of registration of cooperatives active in 1960.	32
V	Changes in number of members during period of operation.	34
VI	Number and percentage of members patronizing their cooperative.	35
VII	Number of members who attend meetings of their cooperative.	36
VIII	Money volume of business classified according to various services performed by the different cooperatives.	38
IX	Development of Abadiyah cooperative volume of business over time.	44
X	Fertilizer prices charged to members as compared to market prices in 1960.	46
XI	Loans extended to members and rates of interest.	48
XII	Price of share capital, entrance fee and annual fee charged by cooperatives to members.	53
XIII	Capital investment in cooperatives by members.	54
XIV	Member's equity in cooperatives, share capital and reserves.	56
XV	Number of directors and their term of office in different cooperatives and frequency of director's meetings.	61
XVI	Cooperatives staff.	69

CHAPTER I

INTRODUCTION TO COOPERATIVES

A. Brief History

Farmers' cooperatives in Lebanon are of very recent origin and the number operating currently is quite small. The number registered in the Ministry of Agriculture on April 1, 1961, was 128 cooperative associations. Of this number, only eleven were found to be functioning in the course of a survey conducted by the author. The eleven societies which were found to be active had a total of 671 members. Thus, the number of farmers who are benefiting from membership in cooperatives in Lebanon is an insignificant percentage of the total number of farmers.

The first farmer cooperative in Lebanon was formed in Abadiah in 1937. It started with 22 members, and at the end of 1960 had a body of 256 members.

In 1938 other cooperatives were formed in Mokhtara, Ain-Anoub, Abay, and Kab-Elias, but none of those cooperatives lasted for more than two years. By the end of the second year, all four of them had voluntarily dissolved themselves because of lack of education of members and inexperienced directors who received no guidance regarding the proper operation of a cooperative. This led to poor management and failure.

The Lebanese cooperative law was issued by legislative decree number 121, on November 19, 1941. The publication of the law aroused no interest among farmers and hence had no stimulating effect for the formation of any new cooperatives. A few new societies were regis-

tered from time to time during the next fifteen years.

The year 1956 witnessed a great upsurge in the number of registered cooperatives from 22 to 73 and on April 1, 1961, there were 128 cooperatives registered in Lebanon.

In 1956 the Ministry of Agriculture received some chemical fertilizer which it decided to distribute to Lebanese farmers free of any charge. At the suggestion of USOM/Lebanon, the fertilizer was distributed through cooperative associations with a view to arousing the interest of farmers to become members and learn the benefits of working together cooperatively. This explains the rush in the formation of cooperatives by farmers that took place in 1956,

The majority of those cooperatives were satisfied with the free fertilizer and concentrated their activity on accepting new members, hoping for more donations in future years. More cooperatives were registered in 1957 and 1958. These were also found to be in the class of functionless associations.

The year 1959 was an unfortunate year for the Lebanese farmers. First, because it was the year following the conflict that took place in 1958 and, second, because of the low rainfall and consequently the bad crop which followed for the second year in succession. These misfortunes had a paralyzing effect upon the majority of cooperatives in Lebanon, especially since most of them had a false basis of formation and a misguided membership.

The impression that I gathered from my visits to the active and part of the inactive ones, is that some of the inactive associations have the willingness, but not the ability to resume their functions.

In general, however, farmers' cooperatives even in 1961 are in an unhappy situation since, instead of increasing their services to their members, the tendency is to decrease their functions to the bare minimum because neither directors nor members recognize what needed services the cooperative could perform for them at a definite money saving. They are groping for something which the cooperative can do for the benefit of the members.

B. What a Cooperative is

A farmer cooperative association is a voluntary organization of persons with a common interest, formed and operated along democratic lines for the purpose of supplying services at cost to its members who contribute both capital and business.

This definition covers the main features of a cooperative association.

First, membership is voluntary.

Second, its members have a common joint interest as users of the goods and/or services which the association provides or as producers of the product it sells for them.

Third, it operates along democratic lines, preferably the one-man-one-vote basis.

Fourth, a cooperative association performs services at cost, with any underpayment for products or overcharge for services distributed on the basis of patronage after the accounts for the financial year have been closed.

Fifth, members supply necessary capital and contribute the

volume of business necessary for successful operation.

The basic purpose of the enactment of a special cooperative law for the registration of such associations is to give legal recognition and a legal status to the distinctive type of economic relationships established when a cooperative association is formed. Such an association has the main structural features and legal powers of a corporation but is distinctive in the basic principles which underlie its organization and guide its operations.¹ Consequently, special provisions are needed in the law to assure that cooperatives continue under the sole control of the members and operate in their interest.

C. Cooperative Principles and Practices

1. Internationally recognized cooperative principles.
 - a. Open Membership
 - b. Democratic Control
 - c. Limited Returns to Invested Capital
 - d. Service at Cost

Rochdale principles and practices add:

- e. Political and religious neutrality
- f. Cash trading
- g. Promotion of education
- h. Cooperative prices in line with those prevailing in the community for the same quality

1. Stokdyk E.A., "Cooperative Economic Objectives", pp. 68-69, Agricultural Cooperation by Abrahamsen and Scroggs, University of Minnesota Press, Minneapolis, 1957.

- i. Books, records and information freely available to members.
- j. Federation with other cooperatives for wholesale buying, manufacturing and marketing.

Explanation of cooperative principles

Membership in a cooperative society is open to all who can meet the requirements under the bylaws. It does not close its doors against anyone on the basis of his race, religion, creed, or sex.² Therefore, anyone who has a common economic interest with the others in the society is free to join the society, so long as he is prepared to abide by the bylaws. Different bylaws differ in their requirements from the applying members; for example, some might put as a condition that producers marketing through the cooperative should buy supplies and services from the cooperative. A cooperative bylaw might also require that the producer supply as high a quality product as that for which the cooperative is known in the market.

Open membership is probably not an important factor in determining the success of a cooperative. However, two aspects are involved. On one hand, restrictions which exclude some farmers who could profitably use the association's facilities, may lead to the establishment in a community of duplicate facilities with neither fully utilized. On the other hand, restriction of membership to some given special

2. Erdman, H.E., and Tinley, J.M., Principles of Cooperation and Their Relation to Success or Failure. pp. 10-11, California Agricultural Station Bulletin 750, Feb. 1957.

interest group at times leads to greater harmony in association affairs and to the provision of services especially suited to the given group.³

Democratic Control

A cooperative society is an organization of the members who come together to run their own business through working together. Since this is the case, a cooperative society should be managed in a democratic way on the basis that all members have equal rights. This is a universally recognized principle of agricultural cooperation.

In the operation of a cooperative, democratic control is based on the fact that those who own the organization and are to benefit from its services should control it. If they do not control the cooperative, the benefits they are seeking from it may disappear. In other words, the benefits members expect through their cooperatives are services or goods at cost. Any savings the association makes belong to the members. To protect these savings the members must control the organization on a democratic and equitable basis.

In the usual business corporation, voting control is associated with the number of shares of stock held. This is logical and proper because the primary object of businesses other than cooperatives is returns on capital invested, and capital, therefore is the logical basis of organization and control.

3. ibid, pp. 11-12.

The primary object of a cooperative is not profit, but services at cost for the users, who are the patrons and members. For this reason capital cannot be a fair basis of control in the cooperative. The control of a cooperative should be either on the basis of one-man-one-vote or on the basis of the amount of business the individual contributes to his association. Where there is a wide difference in the amount of business various members do through a cooperative it has proven more equitable to base voting on quantity of product sold through the cooperative or unit of money volume of business. The interest of each member is according to the amount of his patronage. A few large members often are unwilling to be controlled by many small producers who supply a minor part of the volume of business.⁴

Limited Returns to Invested Capital

The cooperative needs money like any other business. It cannot borrow all the required capital, so it is necessary for members to invest the equity capital in a cooperative. When some members invest proportionally more than others, it is equitable to pay interest - dividends - on all shares of the cooperative. Since capital invested in shares is just as productive as money borrowed from a bank, members are payed the bank's rate of interest on their share capital. However, the purpose of the members in joining the cooperative is service at cost rather than profits on their investment. Therefore, they can have service at cost only if all savings above cost are returned to

4. ibid, pp. 12-13.

them. Interest on invested capital is a cost which a cooperative needs to pay in order to obtain from members sufficient capital for operating the cooperative services.

Services at Cost Through Distribution of Savings to Patrons

A cooperative is obligated by its bylaws to serve the members at cost. Since the costs cannot all be known exactly at the time the services are performed, the charges cannot be set to exactly equal total expenses. In order to be safe, and avoid embarrassing losses, cooperatives follow the charges and prices established by their competition which include their normal rate of profit. By thus following sound business lines, it necessarily follows that a cooperative society should have some surplus left at the close of its accounting year. This is termed net saving. It is the residual surplus after interest - dividends on shares capital has been paid and the amounts set in the bylaws set aside in the various reserves to maintain the financial strength of the cooperative business. The balance represents the amount the members paid for services which proved to be above what the real cost of the service was found to be.⁵ Therefore, it must be returned to them.

Since the money was paid to the cooperative by the various members for the services they received, the share of each member in the net savings is in proportion to the business he did. Thus, the net savings are refunded to the members according to each members' patronage of his cooperative.

5. *ibid*, pp. 15-17

Political and Religious Neutrality

If the principle of open membership is acknowledged, the association embraces all members of society without prejudice, irrespective of their faith or political affiliation.

The basic concept of neutrality is tolerance, tolerance for differences in ideas and convictions. The cooperative is counseled not to meddle in affairs that are obviously outside its sphere of business activities; that is, a cooperative association should avoid taking a stand on a controversy not related to its business, because such controversies tend to destroy relationships essential to trade. It is also necessary in order to maintain harmony among members who hold opposing convictions on matters unrelated to their common interest in the cooperative.

Cash Trading

Cash trading forces people to live within their incomes. For the supply society cash payments for goods make it possible to take advantage of special opportunities in large-scale purchases, to buy more economically at all times, and to obtain allowances as well as cash and quantity discounts.

Interest on capital is reduced to the minimum because the established cooperative usually has reserves and a good line of credit scheduled at low interest rates.

A cash system effectively reduces the amount of bookkeeping that is necessary under the credit system and eliminates losses on

bad accounts.⁶ The Rochdale pioneers established this policy in order to keep the cost of operating their cooperative store as low as possible so that all members could secure their needs at minimum expense. Today, cash trading is still recommended for the same reasons but many members of cooperatives prefer to pay the higher costs for the convenience of credit.

Promotion of Education

James Madison, one of the American presidents, once said, "To put the conduct of affairs into the hands of the people without first educating the people will prove to be the prelude either to a farce or a tragedy."⁷

Cooperative organizations, since their inception, have assumed a major role in educating their own members, as well as liberally contributing talent and means to general educational programs. One of the first obligations of an association is to stimulate the intellectual interests of its members. Education is necessary to raise the level of understanding within the organization until intolerance and ignorance from without do not hamper further progress.

Cooperative Prices in Line with Those Prevailing in the Community for the Same Quality

The practice of operating at prevailing prices or charges and

6. ibid, pp. 18-19

returning savings to patrons is an important factor in the success of cooperatives.

In the first place, it avoids price cutting which is sure to follow a low-price policy and what all too often led to price wars which were frequently disastrous for new cooperatives.

In the second place, it guarded the new cooperative against the danger of over-optimism which commonly arose because cooperatives overlooked or underestimated important expense items.

In the third place, sale at prevailing market prices tend to leave the old prices as bench marks from which patrons can measure savings. If a cooperative's prices and charges are so low that it has no new savings to return to members as patronage refunds, many are inclined to doubt the benefit of dealing with their cooperative.

Books, Records and Information Freely Available to Members

The free and uninterrupted flow of information is vital to collective action. In any organized body where functional coordination is required, there must be no obstruction in the communication system of healthy, informed and cooperative action which is expected from all the constituting organisms.

Any uninformed or misinformed member is a liability rather than an asset to the organization.

All means of communication should be made available and close to the reach of members if genuine participation is our goal. The business belongs to the members. As owners, they expect to have free access to the facts about it. Free access to correct information is

the surest way to overcome rumors circulated by opponents of cooperatives.

Federation With Other Cooperatives for Wholesale Buying,
Manufacturing and Marketing

When several cooperatives join together, they form a federation, or a federated cooperative. By joining together in this manner, local cooperatives are able to extend their influence much farther than would otherwise be possible.⁸

In Marketing

A local marketing cooperative may be able to do only a limited number of things, such as receiving the produce, grading, packing and preparing for shipment. By federating into an organization which will take up where the local cooperative leaves off, it is many times possible that the federation will do any number of jobs in delivering the farmers' products to the consumer, instead of only part of the way.

Local cooperatives often do not have sufficient business to employ an experienced sales manager to market their products for higher returns. By federating with others, the pooled volume makes possible the development of important new markets.

8. Bakken, H., Twenty Questions and Answers on Co-op Mergers, Dept. of Agricultural Economics, University of Wisconsin, v. 11, No. 1, pp. 4-5.

cooperatives

In Purchasing

By combining their purchasing of supplies they can obtain such items at lower cost direct from manufacturers. A group of cooperatives can join together in a federation to own and operate their own feed and fertilizer plants. When federated, local cooperatives retain control of their own affairs.

D. Economic and Sociological Objectives

1. Economic objectives

The aims and purposes of cooperatives are primarily economic. To understand and appraise them, however, a knowledge of specific economic objectives is essential. Some are easily understood and are simple, others are complex and only apparent after a careful analysis of price theory.⁹

The economic objectives of farmers' cooperatives are usually stated in broad terms. They are related to prices paid and received, quality of goods purchased and quality of services demanded. The stated objective of most cooperatives is to perform a given service or function at cost in order to increase the incomes of its members as producers or increase their satisfactions as consumers.

a. Marketing associations

Most farmer's marketing cooperatives have or have had as their major economic objective the reduction of the margin between terminal

9. Taylor, C., Objectives of Farmers' Cooperatives,
Abrahamsen and Scroggs, op. cit. p. 84

market prices and the net returns to farmers, including patronage refunds.

The fact that a cooperative organizes and begins operation is frequently sufficient to attain the objective of narrowing the gross spread between terminal market and local market prices. As a matter of fact, the spread may purposely be lowered by competitors to destroy the cooperative before it gets well underway. On the other hand, instances are known where the threat of organization of a cooperative has induced proprietary concerns to narrow the spread, either informally or by contract.

The cooperative which relies solely on the fact of organization, or a cooperative which actually operates, but not in accordance with economic and business principles is usually not effective in narrowing the net spread between terminal market prices and returns to farmers. In fact, the association may increase the gross spread by further dividing the volume within an area among the handlers.¹⁰

Consequently, it is essential that the cooperative obtain a sufficient volume of business to operate efficiently at low cost per unit.

After a cooperative becomes well established and has accomplished the objective of narrowing the net spread between terminal market prices and returns to farmers, the primary economic objective frequently becomes that of maintaining a reasonable gross spread between terminal market and local prices.

10. ibid, pp. 86-87

Competitors often try to narrow the margin, too, in order to force the cooperative out of business so they can then set their margins to maximize their profits. Failing this, they seek to take undue margins in order to enhance their profits.

In many cases cooperatives strive to maintain adequate handling margins so they can carry out one or more of their objectives. The stated objective of many cooperative undertakings is to improve the service rendered to patrons. Another is to maintain dependable outlets for producers.

b. Purchasing associations

In the case of a purchasing association, the furnishing of a higher quality product is often considered. They have had similar objectives to marketing associations, specifically the narrowing of the spread between the cost of farm supplies at wholesale and net cost to farmers of supplies at retail.

Reasons which would induce farmers to purchase an increasing proportion of their farm supplies cooperatively are that farmers have found that they can provide themselves through the cooperative purchasing association with supplies of desired quality at no higher prices than prevail in the community.

Another reason is that farmers have found that they can provide for themselves through their cooperative purchasing association just the type of supply service they require.

The third reason for the increase in cooperative purchasing has been the ability of cooperative purchasing associations to save farmers money which is usually distributed at the end of the year in

the form of patronage refunds. This is due to the fact that such associations have been able to reduce merchandizing costs by giving an efficient distributing service while eliminating or curtailing certain services which are customarily given to attract or hold customers, and which farmers feel they can dispense with. Voluntary patronage eliminates many expensive business promotion activities.

Furthermore, cooperative purchasing associations have also been able to save farmers money by securing the same quality buying advantages that are accorded to any large-scale buyer. Moreover we do not have to overlook the importance of bargaining power as a factor in operating efficiency.

Cooperative associations hence have been able to save farmers money by operating on a non-profit basis. In other words, these associations have retained for their members the reward of management, commonly called the compensation of the entrepreneur.

2. Sociological Objectives

In considering sociological objectives we find people like Kropotkin, who, in his book on "Mutual Aid" asserts that "Sociability is as much a law of nature as mutual struggle".¹¹ He said, "In proportion as we ascend the scale of evolution we see association growing more and more conscious." He went so far as to assert that "human society itself could not be maintained for even so much as the lifetime of one single generation except by the practice of mutual aid." Even Charles Darwin¹² said, in his "Descent of Man," that those animal

11. ibid, pp. 84-86

12. ibid, pp. 86-89

communities "which included the greatest number of the most sympathetic members would flourish best and rear the greatest number of offspring."

Studies have been made and some controlled experiments have been carried out, and all of them show that persons perform at higher levels of attainment in group situations than when alone and they have a higher per capita attainment when working in teamwork with others than when working either alone or in competition with others.

C. H. Cooley¹³ classified all human groups into primary and secondary groups. Primary group activities and a belief in primary group values did not die with the development of the secondary group relations and the evolution of secular values. The fact that they have never died is a part of the cause of the cooperative movement. Historically and sociologically viewed, the cooperative movement had attempted to perpetuate primary group activities and serve primary group values. It has not always, especially in later days, been conscious of the fact that it was doing so, but sociological understanding and evidence from actual research show that the existence of primary group needs is part of the explanation of why persons join and support cooperatives.

Cooperatives, and cooperatives alone, can be the bridge between primary and secondary group techniques and values, because they are membership organizations. They depend on membership education which comes chiefly through membership participation - membership participation

13. ibid, pp. 89-91

in local units of the cooperative organizations, and membership participation in neighborhood and community discussions, i.e. primary groups or semi-primary groups.

In simple societies production, economic activities and community life are all part and parcel of each other. The sociologist calls such societies "Primary Groups". They are really neighborhoods in which everyone knows everyone else and in which all relationships are personal or interpersonal.¹⁴

In a complex, highly commercialized economy or society most relationships are impersonal; people buy and sell in an impersonal market, they even buy health, welfare and education, and pay the price demanded with little or no reciprocity or mutuality of feeling. This type of situation the sociologist describes as "secular" and these kinds of relationships he describes as secondary - they are not interpersonal or mutual, therefore not primary. Cooperatives are the bridge between these types of human relationships. Properly organized and operated, they are secondary or secular in their buying and selling and as such are hard-boiled, cold-blooded, efficient business organizations. In their locale, they are, or can be, primary groups. In such groups they practice reciprocity, are mutual aid groups, and operate on the basis of interpersonal relationships.

They learn to work together for mutual benefit. The individual makes more advance in his personal position as he helps the group to advance economically and socially.

14. ibid, pp. 91

E. How Cooperatives Function

1. Democratic control

A farmers' cooperative is a democratic institution in which the membership constitutes the legislative body which takes a vital interest in the major organizational and operation policies of the association. That this function should be preserved is one of the underlying reasons for the adoption of a democratic form of representation in most cooperative organizations. All who are members should have the right to express their opinions in governing the affairs of their enterprise. The members are the association; they own it and have the right to control it.

a. Election of directors as trustees to manage the business.

One of the principle duties of the members respecting the management of an association is the selection of a board of directors. Just who is qualified to be a good director is not often known until a trial-and-error process proves the merits and/or shortcomings of an individual.¹⁵

According to the bylaws of most associations "any bona fide producer who is a member of the association," is eligible for this position of trust. It is assumed that honest members will be selected, that they will possess leadership, ability, and good business judgement.

Procedures for nominating directors are usually specifically set forth in the bylaws. Different nominating methods are: by a nominating

15. Griffin, Helda, Weigandt, H.N., and Gardner, K. B., Selecting and Electing Directors of Farmer Cooperatives, Farmer Cooperative Service, U.S. Dept. of Agric, Washington, D.C., General Report 14, April 1955, pp. 2-3

committee; from the floor; by petition of members. Each association has to find the procedure which will assure the election of directors with desired qualities.

Membership voting basis used in electing directors of farmers' marketing and purchasing associations is primarily the one-man-one-vote basis. However, other bases used are voting in proportion to volume of patronage; production units owned; one-man-one-vote plus extra votes according to volume of patronage.

The secret ballot method of voting is the most widely spread and practiced by a great number of cooperatives. Other methods of voting are voting by mail ballot, delegate voting, and restricted or limited proxy voting.¹⁶ The size of the board of directors vary with the size of the association. The larger the body the more are the directors to give a true and democratic representation.

b. Decisions made by members and by board of directors.

(i) Members decisions

Members should attend meetings regularly to discuss the business affairs of their society, to vote upon the proposals before them, and to cooperate with the manager and employees in carrying out the wishes of the association. Membership carries with it this obligation; if it is not faithfully performed, then the limitations of cooperative management become apparent.

The rights of members in the management of cooperatives are varied. A listing of these discretionary rights will suggest the

16. ibid, pp.16-22

range of important matters which they cover.¹⁷

- (a) To adopt the constitution, bylaws and amendments, as well as to change the bylaws.
- (b) To elect and recall directors.
- (c) To vote upon the appropriation of money for various purposes; to approve or disapprove loans; to increase or decrease the capitalization; and to authorize deductions for operating cost.
- (d) To require both directors and officers, as well as agents, to run the business legally and according to the constitution, bylaws and marketing contracts.
- (e) To hold directors and officers liable for any damage incurring to the members for failing to discharge their responsibilities or violating the statutes, bylaws, or constitutions of the association.
- (f) To select a competent committee to periodically examine the records and audit the books, to examine the annual reports and books of the cooperative.

The members, however, serve no purpose in interfering with the employees and the manager in the details of the administration of a cooperative business. They have to take up such matters with the director representing them or the board of directors.

(ii) Board of directors decisions

The board of directors is the governing agency and as such

17. Bakkan, H.H., and Shaars, M.A., op. cit. 338-340

constitutes with the manager the active management of an association. As the agency in command of an association, certain obligations rest upon it.

- (a) To formulate operating policy.
- (b) To retain competent managerial officers who are to execute the board's policies.
- (c) To enforce the policies adopted.
- (d) To appraise the result of its policies
- (e) To keep in touch with the membership as a liaison officer between the association and the membership.
- (f) To create confidence in the organization.

A board of directors determines the broad policies which serve as a guide to the manager and employees in the conduct of the business.

Those duties, however, are not legally enforceable, but are discretionary only. If a director is negligent in these duties the membership can recall him or fail to re-elect him when his term expires, but recourse through the courts is not possible except where a deliberate action causes provable financial loss to the cooperative and its members.

Legal powers granted to directors of associations are to:¹⁸

Call regular or special meetings.

Elect the officers of the directorate.

18. ibid, 340-343

Employ a manager for the association.

Remove officers, for cause, or act to

have them removed, and to fill vacancies.

Receive, deposit and disperse refunds of the
organization.

Make contracts.

Issue stocks and other instruments of credit
or obligations.

Establish minimum prices on products.

Borrow money for the association in its name.

2. Non-profit operation through distribution of patronage refunds.

- a. The basic purpose of a cooperative is to perform some service for its members more satisfactorily than they can get it elsewhere and at lower net cost. It is able to render more satisfactory service by virtue of the control which the members, who are the main body of customers, exert on management through the election and recall of directors. Members can voice their dissatisfaction to their directors and generally secure the desired change or improvement.

In a similar way, the members direct their director to seek ways to lower the costs of the cooperative so that the savings can be passed on to the members, who are the owners and also the customers, in the form of patronage refunds on the volume of business each has done with the cooperative.

b. Limited interest dividends on share capital.

The cost of performing services for the members cannot be reduced or minimized if a large part of the net savings of the cooperative is distributed as dividends on share capital. The higher the dividends paid on shares, the less is the money remaining for division among the members as patronage refunds to reduce the cost to them of the services rendered them by the cooperative. Since members of cooperatives are primarily interested in lowering the net cost to them of the services they obtain from their cooperative, they are concerned with holding down the dividends paid on share capital. However, members need to be paid the ordinary or normal rate of interest to induce them to invest in shares of the cooperative the amount of capital required for the operation of the cooperative services. Consequently, cooperatives generally pay members the same rate of dividend on share capital as they pay interest on money borrowed from a bank. This satisfies members that they are receiving a reasonable return from the capital they have invested in the cooperative rather than in their personal farming business.

c. Net margins - to whom do they belong?

The question next arises as to who is the legal owner of the net savings? Are they similar to the profits of commercial companies? Actually, the net savings of a cooperative legally belong to the members of the cooperative in their capacity as the owners of the business and in their capacity as

customers or patrons of the services performed by the co-operatives. The bylaws provide that all sums above the cost of performing services to the members must be returned to them in proportion to the volume of business each has done with the cooperative. This obligation is recognized by courts as legally binding so that cooperatives subject to the usual tax upon corporate income are authorized to exclude from taxable income the total amount distributed as patronage refunds.

Inasmuch as the net savings distributed to members as patronage refunds represent the amount received by the cooperative which proved to be above the actual costs of performing the services for the members, when they receive back this overcharge in the form of patronage refunds they have in this way received the services at actual cost.

Cooperatives are obligated to serve the members at cost. When a cooperative does business with non-members, part of the net savings represent the net margin above expenses incurred on the volume of business done with non-members. If these net margins or non-member business are included in the patronage refunds distributed to members, the members are in fact receiving the services of the cooperative at less than the cost of performing the service. They are actually receiving profits made on the non-member business.

In order to maintain the non-profit character of a cooperative serving members at cost, the bylaws provide that

part of the net savings pertaining to non-member business shall be placed in a reserve or capital fund which can never be distributed to the members. Some cooperatives use the earnings on non-member business for social welfare projects.

The previous analysis of the character of the net savings of cooperatives might easily be interpreted as meaning that they represent a distribution to the member-patrons of the cooperative of what would be the net profits of the merchants or owners of an ordinary company. However, the net savings of many cooperatives include savings arising from things which the members have done to contribute toward reduction of costs. When members send in their orders for supplies or their products for market without being solicited by a travelling solicitor (as ordinary businesses commonly do) the amount of such solicitation expense is saved by the cooperative. Such savings arising from things which members do to reduce the costs to the cooperative in serving them often constitute a significant portion of the net savings distributed in patronage refunds to members of cooperatives.

3. The fact that cooperatives are controlled by the members who constitute the greatest number of their patron-customers makes cooperatives uniquely responsive to the wishes and requirements of the users of its services. It leads to cooperatives performing the better services needed by members. When members wanted fertilizers distributed on their fields by their cooperative, the Grange-League-Federation

Cooperative engineered new special equipment attached to trucks to give even distribution of metered quantities of fertilizer.¹⁹ When farmers wanted fertilizer at lower cost, cooperatives worked out plans whereby members who take fertilizer during the slack winter season in fertilizer manufacture receive a discount of \$2-3 per ton from the regular spring price with a further discount if they pay cash upon delivery. Artificial insemination associations were formed when farmers wanted this service at low cost (\$5 per service) and veterinarians would not do the operation for less than \$15 per cow. Cooperatives serve their members according to the wishes of their member-patrons because they are owned and controlled by their customers - the users of their services.

19. From a discussion by Dr. Gordon H. Ward, Professor of Agricultural Economics, School of Agriculture, American University of Beirut, Beirut, Lebanon.

SURVEY OF COOPERATIVES IN LEBANON

How the Survey Was Made

A comprehensive questionnaire was prepared to obtain important facts about each cooperative, a copy of which is included in the appendix.

A list of the registered cooperatives was obtained from the Department of Agricultural Economics and Cooperatives in the Ministry of Agriculture. Out of those listed cooperative societies twenty-two were visited personally by the author. The rest were not visited due to the fact that they were completely inactive. Not all the twenty-two cooperative societies that were interviewed by the author were functioning; only eleven associations could be regarded as more or less active units.

During the course of the interview, the author filled out the questionnaire while either the chairman of the board of directors or an available, well informed director gave the required information. Difficulties were encountered in finding the right man and interviewing him since many of the associations have no offices of their own and directors meet irregularly in different places.

The data was collected between February 1 and April 15, 1961. Visits were carried out on weekends, vacation days, holidays and on a few evenings. The average interview took between 145 and 160 minutes, and in a few cases only part of the information was obtained because of the lack of data and records.

Questions were asked concerning date of foundation of the cooperative, growth of membership, activities of the cooperative, and de-

tails about different functions, plus a financial statement and information on the business activity of the society in general.

Number of Cooperatives

The number of farmers' cooperatives registered in the Ministry of Agriculture is 128. Eleven of these societies are active and carry on services for their members. The rest are either temporarily dormant or completely paralyzed.

These eleven societies can be classified according to their function which provides the largest revenue as follows:

Table I. Function of largest revenue plus various other services performed.

Major Functions	No. of Coops.	Other Services Performed			
		Marketing	Purchasing	Credit	Spraying
Marketing	4	-	4	2	3
Purchasing	2	0	-	0	1
Credit	4	1	0	-	3
Spraying	1	0	0	0	-

Marketing Societies

All of the four marketing societies carried on purchasing services for their members and two of them extended credit in the form of short-term loans.

The purchasing cooperatives limited their activity to purchasing producers goods for their members, and one of them, along with the pur-

chase of fertilizers, insecticides and fungicides, carried on the spraying of these chemicals on the fruit trees of the members.

The credit societies were not limited to giving credit. Two of them carried on marketing services and three of them sprayed the plantations of the members.

The one spraying cooperative is a single function cooperative which carried on spraying services only.

Number in the Various Regions of Lebanon

The registered cooperatives are distributed among the different regions of Lebanon.

Table II. Distribution of cooperatives among the various regions of Lebanon.

Region	Number of Registered Cooperatives	Number of Active Cooperatives
Mount Lebanon	46	6
North Lebanon	41	3
Beka'a	29	2
South Lebanon	12	0
Totals	128	11

By order of greatest number of active cooperatives, Table II shows that Mount Lebanon comes first, followed by North Lebanon, then the Beka'a, while South Lebanon has no active cooperatives.

Looking into Table II, one notices the positive relation of the number of registered cooperatives and the number of active ones. The number of active cooperatives in Mount Lebanon could be accounted for by the fact that it is closer to Beirut and the Ministry of Agriculture, and therefore receives more attention and guidance.

If the Kada'a, which is a smaller administrative unit, is used to measure the concentration of cooperatives, we find that the Kada'a of Batroun, which is in North Lebanon, has the highest concentration of cooperatives. However, by using the Mohafazah (region) we find that Mount Lebanon has the highest number of cooperatives.

Table III. Year of registration of agricultural cooperatives in Lebanon.

Year of Registration	Total No. of Cooperatives	Mt. Leb.	N. Leb.	Beka'a	S. Leb.
1937	1	1	0	0	0
1938	4	3	0	1	0
1954	9	2	5	1	1
1955	13	5	2	3	3
1956	51	19	21	9	2
1957	23	8	9	5	1
1958	14	3	6	3	2
1959	13	1	3	6	3
1960	0	0	0	0	0
Totals	128	42	46	28	12

Number of Agricultural Cooperatives Registered in Lebanon Annually 1954-1960

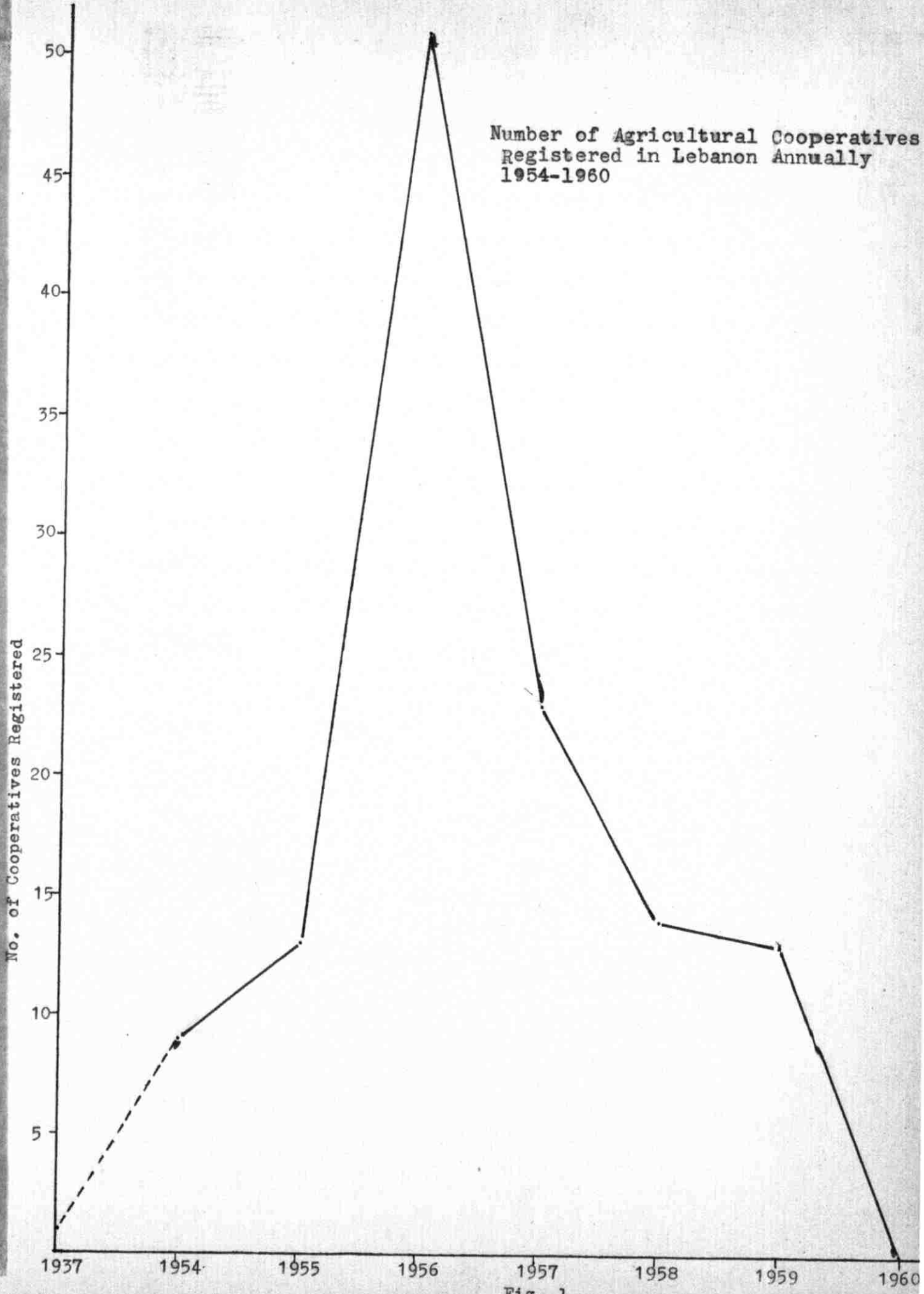


Fig. 1

The 128 cooperatives registered with the Ministry of Agriculture were started and registered between 1954 and 1957 with the exception of one cooperative, the Abadiyah, which was started in 1937. There were, however, four other cooperatives that were started in 1938. These were not registered in the Department of Cooperatives because this department was not yet in existence. These four cooperatives were Mokhtarah, Keb Elias, Abay and Ain Ounube cooperatives. They came into being and were dissolved within one year. The Abadiyah was first registered in 1938 at the Ministry of Internal Affairs just like any other social or political society, because there was no Department of Cooperatives as yet in the Ministry of Agriculture. After the Ministry of Agriculture set up a department for registering cooperatives in 1954, the Abadiyah cooperative transferred its registration to this department as an agricultural cooperative society.

Table IV. Year of registration of cooperatives active in 1960.

Year of Registration	Number Active in 1960
1937	1
1938	0
1954	2
1955	3
1956	2
1957	3
1958	0
1959	0
1960	0
Total	11

The dates of registration of the cooperatives active at the close of 1960 show that after the Abadiah cooperative was established in 1937, it was 17 years before additional cooperatives were established on a sound enough foundation to become permanent institutions. Of the 76 societies established during 1956 and 1957 under the stimulus of obtaining grants of free fertilizer through a cooperative, only 5 were still active at the beginning of 1961. During 1958 and 1959, there were 29 more cooperatives registered, mainly in the hope of obtaining free fertilizer for the members. All these had become inactive by the close of 1960 when no free fertilizer was distributed. The inactive societies continued to receive a small annual subsidy payment from the Ministry but this was mostly deposited in banks because the leaders had no vision as to cooperative services which would be of benefit to the members.

Number of Members

The number of members in the registered cooperatives at the time of registration was 1605. The present number is unknown because of the impossibility of contacting and interviewing all the registered cooperatives since the majority of those cooperatives became inactive after the first, second or third year of their establishment. Their membership at the time of cessation of activity is unavailable. However, the number of members in the active cooperatives at the time of registration will be shown in Table V. The increase in number over the following years is also shown.

Table V. Changes in number of members during period of operation.

Name of Cooperative	1937-38	Number of Members During Year						1960
		54	55	56	57	58	59	
*1. Abadiyah	22	185	189	202	225	250	256	256
2. Baskenta	NE ¹	30	NA ²	NA	NA	NA	63	63
3. Kartaba	NE	NE	14	100	100	120	120	120
4. Mayfuk	NE	NE	NE	NE	12	20	23	23
5. Baysour	NE	NE	NE	NE	19	NA	NA	32
6. Salima	NE	NE	NE	NE	15	NA	32	32
7. Kab Elias	NE	NE	11	NA	NA	NA	30	30
8. Housh El Oumara	NE	NE	NE	10	NA	NA	37	37
9. Jebrayel	NE	10	NA	NA	NA	24	24	27
10. Hakour	NE	NE	12	NA	NA	NA	24	24
11. Sheikh Taba	NE	NE	NE	10	34	34	34	27
Totals	22	215	226	322	415	448	643	671

(1) Not existing at this time

(2) Not available

* In future tables each cooperative will be represented by the numeral preceding its name in Table V.

Total number of members in the active cooperatives in 1960 was found to be 671 members. Only in one case did the membership increase (by three members) and that was in Jebrayel cooperative during the period 1959-1960. Sheikh Taba cooperative is the only other cooperative where the membership was subject to change during 1959-1960. This cooperative, however, suffered a decrease in membership - from 34 in 1959 to 27 in 1960. Part of the decrease in membership of this cooperative, the only one to register a drop in membership, was due to the emmigration of three members to foreign countries for personal advancement. The other four members apparently withdrew from the cooperative because it is limited in its activity and extends only modest amounts of credit (L.L. 1700 to nine members in 1960). It was performing no other business service for the four members who farm on a large scale and hence require larger production loans than the cooperative is in a position to advance.

Table VI. Number and percentage of members patronizing their cooperative.

Name of Cooperative	Number of Members		Percent Patronizing
	In 1960	Patronizing Their Cooperative	
1	256	231	82
2	63	30	48
3	120	72	60
4	23	23	100
5	32	32	100
6	32	20	63
7	30	23	77
8	37	35	96
9	27	27	100
10	24	34	100
11	27	NA	--
Totals and Average	671	527	80.99% Av.

By looking at Table VI we notice that four of the smallest cooperatives have 100 percent patronization by their members and that, with the exception of Abadiah, the larger cooperatives generally have a smaller proportion of the members patronizing their association. We cannot make a definite statement about an inverse relationship because the sample is small but the tendency is clear.

Table VII. Number of members who attend meetings of their cooperative.

Name of Cooperative	Number of Members in 1960	Number Who Attend Meetings	Percent Who Attend
1	256	125	49
2	63	40	64
3	120	40	34
4	23	18	79
5	32	32	100
6	32	No Meetings	--
7	30	18	60
8	37	31	81
9	27	25	93
10	24	20	83
11	27	NA	NA
<hr/>			
Totals and Average	671	369	63.73
<hr/>			

There is a very positive relation between the attendance of meetings by members and the patronization of cooperatives by the

members.

If we take the four cooperatives which had 100 percent patronization by their members, we find that they have the following percentage of their members attending general meetings: 79 percent, 100 percent, 93 percent and 89 percent.

These are the highest percentages of attendance except for the Jebrayel cooperative which had 81 percent attendance and 96 percent patronage. This also complies with the previous statement that there is a high positive correlation between attendance and patronization of cooperatives by their members.

The total volume of business done by farmers' cooperatives in 1960, as shown in Table VIII, was about L.L. 496,938, on the basis of the 1959 volume of business that was transacted by Abadiah cooperative, because the accounts for 1960 were not yet audited at the time this report was being prepared.

The 1960 volume might show the same increase over 1959 if the business trend continues to be what it was during the last four years (Table VIII). Compared to the country's total volume of agricultural marketing and supply business, the volume of business handled by cooperatives is negligible.

The business done by those cooperatives was marketing, purchasing, loaning and spraying for the members. Marketing formed 77.19 percent of the total volume of business handled by the cooperative while 6.63 percent was purchasing, and 6.02 percent was extending loans to members. Spraying of fruit trees contributed 0.16 percent of the total volume of business.

Table VIII. Money volume of business classified according to various services performed by the different cooperatives.

Name of Coop.	Total Volume of Bus- iness. L.L.	Volume of Market- ing L.L.	Volume of Purchas- ing L.L.	Credits and Loans L.L.	Spray- ing Done L.L.
1	168,225	160,571	0	7,653	0
2	4,100	0	4,000	0	100
3	100	0	0	0	100
4	22,000	18,000	4,000	0	0
5	129,660	110,000	9,660	10,000	0
6	500	0	0	0	500
7	112,000	70,000	42,000	0	0
8	48,000	25,000	23,000	0	0
9	9,453	0	0	9,353	100
10	1,200	0	0	1,200	0
11	1,700	0	0	1,700	0
Totals	496,938	383,752	82,660	29,906	800

The products marketed were mainly fruits and vegetables. The fruits included apples, pears, plums, grapes, cherries and peaches. Vegetables marketed were mainly tomatoes, cucumbers, squash, turnips and beans.

The marketing charges by the cooperatives to their members were as follows. Three cooperatives charged 3 percent of the total returns. One cooperative charged 2 percent and the fifth charged its members 5 Lebanese piasters per box, to be paid to the cooperatives' market representative who was not paid a salary, but was paid a fixed fee per box marketed. These different charges are deducted from the members returns over and above the wholesalers commission which is 5 percent on total sales, and which is deducted by the wholesaler before handing the total returns to the market representative of the association.

The Mayfuk cooperative, which charged 2 percent as a marketing charge, had no fixed capital and hence no depreciation whatsoever. It paid no office rent because the society had no office. The business of the cooperative was run by the board of directors on a voluntary, free-of-charge basis.

The only cost incurred by the cooperative was the charge paid for transporting the members' products to the market. Even the director, who in his turn accompanied the produce to the market, was not paid anything for his services. In such a case the 2 percent charge is enough to meet the expenses of marketing. Abadiyah, on the other hand, charges the members 3 percent to cover its marketing expenses. But this appears insufficient to cover expenses, since Abadiyah ex-

perienced a loss during 1958. If the cooperative had not received the government's donation of L.L. 4000 in 1959, it would have also reported a loss of about L.L. 2300. Attention should be called to the fact that in 1959 Abadiah extended credit to its members in addition to performing marketing services, and hence the credit department was responsible for a small part of this loss. The major volume of transactions, that is 95.40 percent, was transacted by the marketing department and hence the loss could be safely attributed to the insufficient 3 percent marketing charges.

The purchasing cooperatives generally sell supplies to the members at prices intermediate between the usual market price and the price paid by the cooperatives. This practice leaves the cooperative a certain margin which normally is sufficient to cover handling costs. Baysour cooperative, for example, buys sodium nitrate at 18 Lebanese piasters a kilogram, and sells it to the members at 20 piasters while the market price is 22 piasters. This means that Baysour cooperative is making 2 piasters per kilogram of sodium nitrate it buys for its members, which amounts to 11.11 percent gross margin. On the other hand, Housh El Oumara cooperative sold the fertilizer to the members at the price it paid. This is a case where annual fees, entrance fees and other income is used to cover the operating expenses of the cooperative.

The credit cooperatives of Akar have small capital and very limited volume of business. These cooperatives have no salaried officials nor investments in fixed assets that they need to cover, therefore since their capital is theirs and not borrowed there are

no interest costs. The only costs that they have to account for in extending loans is the possibility of bad debts and how to accumulate a reserve to cover such a situation should it occur. It is worthwhile to mention that the three credit cooperatives in Akar have their records clear of bad debts, but not of occasional delayed payments due to bad crops in certain seasons. These three cooperatives have the same rate of interest which is moderate and willingly paid by the members, namely 1 percent per month on the un-paid balance of the loan. The reason the interest is charged on a monthly basis is because the loans are seasonal, 9 months in two cases, and four months in one case.

The Kartabah cooperative association charges its members for seasonal loans a rate of 6 percent. It calculates the rate of interest to members by adding 1 percent to the rate paid by the association to the Credit Bank for Agriculture, Industry and Real Estate.²⁰ which is 5 percent. In 1956 the society borrowed L. L. 5000 and distributed the amount among its members in short-term loans. No delinquencies were reported that year. In 1957 the society borrowed L.L. 15,000 and this debt was also paid back to the bank with no delinquencies. In 1958 there was political confusion and unrest in Lebanon and this affected the whole economy of the country. The farmers could not sell their produce and Kartabah cooperative had borrowed L.L. 30,000 at the beginning of the year and loaned it to its members. The members were not able to repay the loan because they could

20. From now on BCAIF will be used for the Credit Bank.

not deliver their produce to the market.

1959 was not very much better than 1958 for the farmers of Lebanon in general and for the indebted ones in particular. There was little rainfall during 1959 and crop yields were very low. What made it hard for the Kartabah cooperative members was that they were indebted to their association and could not secure any new loans until they had paid their delinquencies.

In 1960 some members that could pay were reluctant to do so, protesting that some influential members who had borrowed larger amounts were not paying their delinquent debts, so why should the small ones pay? The total delinquent sum was L.L. 22,000 owed by about 65 members. During the interview, the author asked the chairman of the board of directors what procedure the board was going to follow to collect the delinquent loans. He was informed that the board was planning to confiscate the property of the members. Fortunately, this is the only cooperative in Lebanon that required a real estate mortgage as collateral for a loan.

The Baysour cooperative had borrowed L.L. 10,000 in 1960 from BCAIF at 5 percent interest. Part of the sum was distributed to the members as short term loans, but no account was made for the interest due the bank. When asked about the unusualness of the arrangement the chairman of the board said that at the time of the maturity of the debt he will collect the whole amount and pay it back to BCAIF. Mention should be made that he individually is the guarantor of the society's debt to BCAIF.

Abadiah manages its loaning department in an organized manner.

It charges the members 9 percent on their short term loans. It pays a 5 percent rate of interest to BCAIF; it figures one percent as expenses and charges for securing the borrowed capital from BCAIF and re-loaning it to the members. The association counts on getting 3 percent to add to its reserves, but if we study the loaning practice carefully, we see that the society is not truly getting the 3 percent. The total loan is secured from BCAIF in January. The members start borrowing in March, April, and even May, and the majority pay back in October. The association, therefore, borrows the money for nine months and the members borrow for an average of five to six months, and what seems to be a 3 percent net income from the credit department to add to the reserves of the society is actually much less than that, if any profit is incurred at all!

Table IX shows the development of the volume of business handled by the Abadiah cooperative. By carefully studying the change in volume of business we find that 1943 and 1944 show the largest volume of business handled by the Abadiah cooperative. Actually, the immediate increase started in 1942 and continued till 1946 and then started dropping down more severely. The explanation is simple, because those were the years of the second World War during which the Allied troops had occupied this region and were bidding high prices for most commodities, especially foodstuffs, to feed their armies. The rise in total revenue was mainly due to the rise in prices and did not represent a rise in production; not denying that production began to increase, especially of vegetables after the prices began to soar.

Table IX. Development of Abadiyah cooperative volume of business over time.

Year	No. of Members	Total Volume of Business L.L.	Marketing Business L.L.	Purchasing Business L.L.	Loans to Members L.L.	Index of Food Prices* 1933=100
1937	22	2,273	2,230	43	0	-
1938	41	9,891	7,876	1,840	175	-
1939	74	17,439	15,667	1,000	772	100
1940	98	39,817	35,000	3,800	1,017	-
1941	140	85,059	60,052	24,000	1,007	-
1942	203	183,980	162,000	20,675	1,305	-
1943	222	241,085	219,000	21,485	600	612
1944	226	230,141	176,246	51,280	2,615	663
1945	229	185,748	157,000	15,346	13,402	732
1946	183	169,385	138,290	25,671	5,424	662
1947	183	123,887	86,005	32,540	5,341	604
1948	183	80,198	63,124	11,131	5,943	626
1949	183	72,230	57,965	8,729	6,439	569
1950	181	93,388	88,566	0	4,822	509
1951	181	132,541	99,773	10,000	21,768	569
1952	202	96,064	71,700	10,000	14,364	586
1953	285	96,096	74,883	10,000	11,213	530
1954	185	77,801	69,090	0	8,711	493
1955	189	84,537	74,895	0	9,678	506
1956	202	120,650	113,500	0	7,150	556
1957	225	140,773	138,350	0	8,432	604
1958	250	147,601	141,130	0	6,471	629
1959	256	168,225	160,572	0	7,653	-
1960	256					

*Bulletin Statistique Trimestrial,
Vol. IX-No.3, p. 33, 1958, Beirut.

The purchasing business of Abadiah cooperative reached its maximum in 1944 and from then on it tended to decrease until 1953 when the cooperative decided to close down its purchasing department.

Abadiah cooperative was running a store which supplied the members with consumption and production commodities. However, the store was suffering from a limited volume of business and the members' transactions were not enough to pay the expenses of operating the store. The cooperative then decided to deal with non-members as well as members. The store was selling members on credit and began to extend this policy to include non-members. That was the point at which bad debts began accumulating and ultimately the store had to close down. The last three years show L.L. 10,000 of purchasing business each. These were the years when the cooperative store went back to dealing with members only, but that was not economical and the store ceased operating at the end of 1953.

Tangible Benefits

1. Lower prices of supplies and services

Purchasing of production supplies for members has been carried on by seven cooperatives. The members are sold the commodities at lower than market prices by varying amounts of reduction.

Fertilizers and insecticides are the main commodities bought by the cooperative societies for their members. The following table shows the comparison of cooperative prices with dealer prices and the percent reduction which members received on their joint purchase of fertilizers through cooperatives.

Table X. Fertilizer prices charged to members as compared to market prices in 1960.

Name of Cooperative	Dealers Market Price Piasters/kilo.	Price Paid by Members to Coop. Piasters/kilo.	Percent Coop. Price was Below Market Price
2	23	19	9.5%
3	23	18	14.8%
4	24	20	9.8%
5	25	21	8.7%
7	12.5	11	12.0%
8	23	20	15.0%

In all seven of the cooperatives handling fertilizer, the members did not pay cash. The cooperatives distributed the fertilizer on credit and got a promissory note in return to pay for the fertilizer. Five of them charged 1 percent per month rate of interest and one charged no interest. The percent savings varied from 9.5 percent to 15 percent which is very high compared to the 3 to 7 percent savings made by cooperatives in the United States.

2. Credit service to members

Five societies extend credit to their members, which is a great advantage to their members as compared to non-members. Normally farmers with small holdings have little to offer as collateral and are considered as poor risks by commercial banks and financial institutions. Hence, they normally resort to money lenders who charge them abnormally high rates of interest which substantially decrease

their returns from farming.

In trying to borrow from BCAIF the individual farmer faces certain difficulties.

First, being a small farmer, he does not have much to offer as collateral, either in the form of land or other property.

Second, obtaining a loan from BCAIF means that the farmer has to have patience and time to make application and submit all the required documents. By the nature of agricultural production farmers need money in time to plant their crops by definite dates. Unless they apply for a loan well in advance they may not receive the money in time.

Third, because BCAIF follows a very conservative policy of lending, the farmer would get, at most, a loan equal to about 25 percent of the value of the land he has mortgaged as collateral. This is usually insufficient to meet the farmer's needs.

Fourth, getting the loan involves substantial expenses which the farmer has to pay. These include registration fees, tax stamps, travel expenses, etc.

If compared with the ease with which members can borrow from their cooperatives, when a farmer is given a loan in return for a promissory note within a short period after his request for a loan, we find that members have a great advantage over farmers who borrow from other institutions.

Moreover, cooperatives charge their members very reasonable rates of interest varying between 6 and 12 percent per annum, while money lenders, the final resort of small farmers, charge fabulous

rates of interest reaching as high as 40 percent, and in a few infrequent cases above 100 percent.

In this connection it would be appropriate to mention that cooperative associations get loans from BCAIF as a 5 percent per annum rate of interest, while individuals have to pay $5\frac{1}{2}$ percent to commercial banks. Other financial institutions charge their customers 7 to 10 percent.

Table XI. Loans extended to members and rates of interest.

Name of Coop.	No. of Loans 1969	Term of Loan No. of Months	Maximum Amount	Total Amount of Loans L.L.	Rate of Interest	Collateral Security Required
1	43	9	Amount of available capital and ability of each member to pay his debt	11,000	9%/annum	P.N. ²
3 ¹	0	9		0	6%/annum	Mortgage
9	17	9		8,768	10%/annum	P.N. + guarantor
10	8	4	L.L. 200	12,000	1%/month	P.N.
11	9	9	same as 1, 3, 9	1,000	1%/month	P.N. + guarantor

1. This society did not lend to its members for the last three years because loans amounting to L.L. 22,000 were delinquent since 1958.

2. P.N. - promissory notes to be paid at a certain time.

3. Higher returns for cooperatively marketed products.

There are no comparable data to show the increase in returns which members experience by marketing through their association. However,

there are a number of possible ways in which members might increase their returns by marketing their products cooperatively.

First, the cooperative's products are strictly or fairly graded so that buyers will pay their market value. The low grade products are separated from the higher grades. Each grade is valued differently according to quality and size, instead of all the commodity being priced at one level which would be lower than the total average of the prices of the different grades. Few small farmers carry on such grading, mainly because they have such a small volume of product that buyers will ^{not} recognize the superior value of the graded lots nor pay higher prices for them.

Second, marketing cooperatives see that commission agents give accurate accounting and weighing which assures correct returns for products sent to market. Because of the disorganized manner in which wholesalers carry on their business, the produce of the individual farmer may be inaccurately weighed or cheaply priced.

Third, cooperatives have large enough volume that commission agents give priority to selling their products. Commission men may delay the sale of the product of individual farmers and hence end up selling it late in the morning when the market demand has eased off.

Fourth, a member does not have to lose time personally accompanying his produce to the market at high transportation expenses.

Fifth, the association normally has a volume of produce large enough to make transportation expenses per unit of product less than it would cost one farmer who has a small quantity to market. Other costs are also reduced because of the economy of scale when a number of farmers market their products jointly through a cooperative.

Sixth, an association has a stronger bargaining power for securing higher prices than the individual producer. Having adequate financing and the control of the sale of a substantial quantity of product, often of superior quality, a cooperative can maintain higher prices for its commodities than most individual farmers who need money badly at harvest time. This is more true in the case of non-perishable products.

That farmers in Lebanon have found these factors to yield higher returns from cooperative marketing is indicated by the virtual doubling of marketing done by the Abadiyah cooperative during the past decade.

Intangible Benefits

Intangible benefits that are related to a gradual change in attitudes, such as greater cooperation between members and between members and non-members are difficult to notice if not outstanding.

However, in the villages where cooperatives have successfully carried on a large volume of business over a period of years, the association had a pronounced influence on the general attitudes of the whole village and even the neighboring villages. The production supplies which the cooperative purchased for its members could no longer be sold by the village retailers at a higher price to non-members because a standard price now existed by which the retailer's prices could be measured.

Another important phenomenon that can be clearly observed in successful cooperative villages after a short discussion with the far-

mers was that they had a better knowledge of scientific agriculture than farmers from other villages, and they followed better cultural practices in cultivating their crops. They spray more, have a greater appreciation of the value of applying fertilizer to their crops and know more about how and when to prune their trees than one expects of simple farmers.

When cooperatives extend credit to their members at reasonable rates of interest (Table XI) money lenders are no longer in a position to ask fantastically high rates of interest from borrowers approaching them for loans.

Marketing cooperatives helped a great deal in improving the quality of the members' produce since most of the marketing societies either required their members to do their own grading of their produce at home or the grading was carried on by the cooperative itself. Hence the farmer began to understand the importance of producing quality products as well as improving his knowledge of how to produce.

The time the farmer loses in marketing his produce has to be made up, especially during the busy season, either by the farmer working very long hours or hiring extra labor to help him on his farm.

An important contribution of cooperative societies to their community is the implantation and cultivation of an understanding of social duties and responsibilities of members to their community. The Abadiyah cooperative, for example, helped open a road in their village and carried on some work on their village fountain. The Adonis cooperative association in Kartabah helped build a school for the village. In Mayfuk the cooperative planted trees on the roadside, and so did the society in Salima.

Capital Investment in Cooperatives by Members

Any cooperative in order to do the work for which it was founded needs considerable capital resources. In this connection, a fundamental distinction must be made between fixed capital and working capital. Fixed capital is money spent on land, buildings, machinery and equipment. Working or operating capital covers short-term advances and loans to members, payment for purchases of goods and the materials which will be resold to members, wages and other operating expenses.

Most small village cooperatives in Lebanon require practically no fixed capital but, by comparison, a relatively large amount of operating capital. In principle, much of this has to be provided by the members themselves. Such capital is brought into the cooperative in three forms, namely entrance fees, which usually are not repayable, shares and deposits by members. However, in practice the cooperatives include extra fees

The entrance fee charged by the cooperative associations varied between L.L. 2 and L.L. 7 per member (Table XII) with the exception of Housh El Oumara cooperative where the entrance fee was unusually high - L.L. 200 per member. The chairman of the board of directors explained this by the fact that their association needs capital, and since the members of the board of directors are not willing to take the responsibility of borrowing capital from financial institutions, and since the applicants for membership are willing to pay the fee, they see nothing wrong in demanding such a high fee. On the contrary, it is a workable policy especially since the members

can afford to pay L.L. 200, unlike poorer members in other cooperatives.

Table XII. Price of share capital, entrance fee and annual fee charged by cooperatives to members.

Cooperative	Price of Share	Entrance Fee	Annual Fee
1	L.L. 5	L.L. 5	L.L. 1
2	10	2	3
3	5	2	2
4	10	3	3
5	10	7	None
6	10	5	5
7	5	3	None
8	10	200	3
9	10	2	6
10	10	2	12
11	10	5	12

The other form in which cooperatives obtain their capital is by selling shares to members. The cooperative law provides that every member should own a minimum of one share in his association as a qualification for membership, and that no member can own more than one-fifth of the total number of shares held by members. Eight of the eleven cooperatives charged L.L. 10 per share and³ charged L.L. 5 a share (Table XIII).

Table XIII. Capital investment in cooperatives by members.

Coop.	Number of Members at Registration	Price of Share	Member Capital at Registration	Number of Members in 1960	Member Capital 1960
1	22	L.L.5	L.L.110	256	1280
2	30	10	300	63	630
3	14	5	70	120	2240
4	12	10	120	23	230
5	19	10	190	32	500
6	15	10	150	32	810
7	11	5	250	30	500
8	10	10	100	37	5610
9	10	10	100	27	690
10	12	10	120	24	260
11	10	10	100	27	450

In few Lebanese cooperatives do members hold more than one share. Housh El Oumara cooperative had the greatest range in number of shares held by members, with holdings ranging from 3 to 33 shares. In the few cases where members had bought more than one share it was done on a voluntary basis when leaders explained the need of the cooperative for more share capital.

A few cooperatives started their capital growth by selling the fertilizer donated to them in 1956 by USOM/Lebanon for 5 piasters per kilogram. Others used the donations that the Ministry of Agriculture annually distributes to cooperatives as a nucleus for their accu-

mulation of capital.

The entrance fees and annual fees that the cooperatives collect are used by the majority of them to meet current expenses, because most of them are not running on a true economic basis. As pointed out earlier in this report, the deductions made to meet the expenses usually are not large enough and the cooperative has to make up the balance either from the entrance fees, annual fees, reserves or annual government donations.

The Abadiyah cooperative recently decided to use the revolving fund method for financing their operations, especially their credit department, without having to borrow from outside financial institutions. Its plan is to deduct 5 percent from the proceeds of the sale of products for each member. At the end of the fourth year the member will be paid his first years' investment in the revolving fund plus 3 percent interest. The system of deducting 5 percent from all proceeds will continue indefinitely with repayment to each member made three years later. By this method the society will accumulate adequate capital for meeting the needs of the members for seasonal production credit without having to borrow.

Reserves Used as Capital

The reserves that are shown in Table XIV are mostly the accumulated annual donations by the government to the different cooperatives rather than the savings made by the associations. Kartabah cooperative, however, shows zero reserves. This is because all its reserves were used to cover part of its 1958 bad debt to BCAIF.

Table XIV. Members' equity in cooperatives, share capital and reserves.

Cooperative	At The End of 1960		Total Reserves
	Total Net Worth	Share Capital	
1	L.L. 26,235	L.L. 1,280	L.L. 24,955
2	6,000	630	5,370
3	2,240	2,240	0
4	960	230	730
5	3,200	500	2,700
6	2,260	810	1,450
7	6,000	500	5,750
8	14,000	5,610	8,450
9	9,740	690	9,050
10	5,000	260	4,750
11	NA	450	N.A.
Totals	75,535	13,200	63,195

Board of Directors

The board of directors by law has the responsibility of managing the affairs of an association. Usually this is done in accordance with the general policies and decisions voted by the membership. The manager and other employees carry on their duties in accord with the authority and responsibilities delegated to them by the board of directors. Directors are given the authority by the membership to operate only within the limits set forth in the bylaws. The board of

directors has certain responsibilities to the members, to their manager and employees, to creditors, to the government and to the public.

The members' investment should be protected by the directors, and financial information about the cooperative should be made available to members. An auditor should be appointed to check the books of the association. Accepting or refusing applicants for membership, and expelling members who refuse to live up to their contracts are other responsibilities of the board. General meetings are to be called by the board of directors and it is the duty of the directors to make them interesting and productive.

The board of directors also has responsibilities to their manager and employees. Directors as a unit act as the employer, and the manager as an employee. Together, the directors and the manager make up the managing team.

Directors have the responsibility of prescribing the policies under which the hired employees are to function and of seeing that such policies are carried out.

The board of directors has certain responsibilities to the government.

The Lebanese model bylaw article 18 reads, "The affairs of the association shall be managed by a board of not less than three members, elected for a period of one year, which is renewable if members wish to..."

According to that model the responsibilities read as follows:

1. To comply with the cooperative law in all activities.
2. To keep correct accounts of all the associations' trans-

- actions.
3. To acquire and hold all necessary records and keep them accurate and current.
 4. To have accounts audited.
 5. To prepare the budget for study by the Comptrollers Committee and then present it to the General Assembly at the annual meeting.
 6. To cooperate with the auditor and facilitate his work.
 7. To study the reports of the auditor and the Department of Cooperatives.
 8. To accept new members.
 9. To take necessary measures for collecting loans due the cooperative.
 10. To call meetings of the General Assembly of the membership.
 11. To hire, fire and suspend managers and other employees from work and ask them for guarantee of faithful handling of money of the cooperative if that is necessary.
 12. To acquire on behalf of the association, shares in Central Cooperatives after the General Assembly approves.
 13. In case of a misunderstanding concerning the activities of the society, in which the society, or board of directors, manager, or anybody elected by the society are involved, then the board of directors has the right to delegate a representative to appear in court to either defend the society or prosecute the other party.
 14. To carry on the activities of the association in general.

15. To appoint a secretary and pay him a salary if he is not a member.
16. To elect one of its members as treasurer.

Very few farmer cooperatives in Lebanon have an employed manager responsible to the board of directors because their small volume of business and seasonal operation make it too expensive to hire and retain a permanent manager. In the majority of the cooperatives, one of the directors is delegated by the board to perform the work of a manager. Usually he receives little or no compensation for doing this work, which often requires considerable time during the season when the cooperative is active. In a few societies, the board as a group performs the work of manager with various duties assigned to different directors.

Boards of directors have scheduled meetings in which they decide on the general policies to be followed by the association. In the case of marketing cooperatives, the directors decide on how and where the commodities should be marketed, and how much the association should deduct from the total revenue to cover the cost of marketing.

In the case of purchasing cooperatives, the board of directors decides on what items they should buy for the members and how much of each. They then have to go into the details of finding the dealer that gives them the best offer. In the same case, where the goods are bought on credit, the board as a whole, or the chairman of the board, or other directors sign the promissory note to pay the fertilizer or seed company at a stated time after the products are sold. They

also decide on how much each member should get of the purchased commodity.

In the case of credit societies, the board of directors decides on the size of the loan each applying member should get, the rate of interest to be charged on loans and, in case of delinquencies, what measures the society should take to collect.

In the case of a cooperative securing a loan, the board, individually or totally, carry on the negotiations with the source of credit. When the arrangement is verified, the board of directors sign on behalf of the cooperative and is responsible to the bank in case of delinquency.

Size of the Board of Directors

The minimum number of directors as stated by law is three. The number of directors in the interviewed cooperatives ranged between 4 and 18. However, 8 ranged between 4 and 7 directors, and the other three cooperatives had a membership of 30, 63 and 120. If compared with Abadiah, which has 5 directors and a membership of 256 members, we find quite a difference in the ratio of number of members per director. The reason behind the election of such large boards is mainly to satisfy the largest number of members who wish to become directors, or to satisfy the different families in the village, or to prevent any cleavage in the cooperative because of the competition for the position.

Term of Office

Directors are elected for 1, 2 or 3-year terms. The model

Table XV. Number of directors and their term of office in different cooperatives and frequency of directors' meetings.

Name of Coop.	No. of Directors	Term of Office in Years	Election of Members Proportion Elected Each Year	Frequency of Meetings Per Month
1	5	2	Alternating (half)	2
2	12	2	Alternating (half)	1
3	18	2	Full Election (all)	Irregular
4	4	3	Complete	2
5	4	1	Complete	Irregular
6	7	3	Complete	1
7	11	3	Complete	2
8	5	Variable	Complete	1
9	4	3	Complete	1
10	4	1	Complete	3
11	7	1	Complete	1

bylaw states that members are to be elected annually, however, only three cooperatives abided by that suggestion. Three have followed two-year terms of office and four of the eleven cooperatives are electing their directors every three years. The three-year period of office is more popular because members do not wish to go to the trouble of election very frequently. That is, trouble in the sense that election might create feuds between the members which they would like to avoid. One society had elections at variable intervals because, strangely enough, the members did not wish to take the responsibility of serving as a director, and they postponed the election until the directors themselves asked to be relieved of the responsibility. Then they forced the assembly into a new election, either by agreement with the members or resigning from their posts.

Legally, directors can be re-elected as long as the general assembly wants them on the board. Generally, directors are re-elected until they decline to serve longer or a majority of the members are ready to replace an individual for one reason or another.

Nomination and Election Procedure

The nomination method used by all cooperatives is nomination from the floor. Members volunteer the nomination of their candidates. Each nomination must be seconded. The names are usually written on a board. The vote is taken in turn for the president, vice president, secretary and treasurer, independantly. Then the remaining directors are nominated and voted upon by secret ballot. Those receiving the

highest number of votes will be declared directors. In all the cooperatives in Lebanon each member has one vote only, as provided in the cooperative law.

Changing of Board Members

The most popular method of election of directors is to elect all the directors at one time. Two cooperatives which have two-year terms for directors hold an election at each annual meeting. Half the number of directors is elected annually. A large number of directors continue to serve more than one term of office. No exact number or ratio can be given because no data was available at the cooperatives relative to this question.

Frequency of Meeting of the Board

Monthly meetings are most popular. Five of the eleven held meetings once a month, three held two meetings per month, and one held three meetings every month. Two cooperatives meet irregularly when circumstances make it necessary for the board to get together to act on some matter. Most of these cooperatives did not hold very closely to their meeting schedules. During the marketing season, that is every summer, they met much more frequently than during winter when there are no products being harvested for market.

Functions of the Board Member

The president serves as chairman of the board and calls for and conducts the meetings of the board. The vice president presides

in the absence of the chairman. The secretary keeps the minutes of the meeting and informs the members of the dates of the meetings. The treasurer keeps the books and handles all financial matters except in one case where there is a salaried bookkeeper and a paid manager. Only three cooperatives had their books audited. The active associations do not deviate much in the responsibilities with which they charge the board of directors in their respective bylaws. Directors tend to meet less than they are required by their bylaws. Elections are not held on the fixed dates, and occasionally a director resigns or emigrates and his position stays vacant.

In a few cases the cooperative societies had elected as directors eminent government officials who reside in the capital and rarely, if ever, visit the vilages. Because the officials originally lived in these villages, the members considered it could be useful to have them as directors and give help on matters requiring action in Beirut.

Democratic Participation by Members

Democratic control by the members is a basic principle of cooperation. Legally, the final authority in a cooperative is the membership duly assembled in a general assembly. In such meetings the members vote on major policy matters and questions that vitally affect all members. They elect a board of directors to serve as trustees between annual membership meetings and carry out the decisions of the general assembly. In general, there is a close relationship between member participation in the affairs of their cooperative in membership

meetings and the successful operation of the cooperative's business.

In Table XVI we find that the percentage of members who attended the general meeting of their association ranged from 34 percent to 100 percent, but only two had less than 50 per cent attendance.

This, however, does not necessarily mean that in the cases where the attendance was lower than 50 percent that the members were not interested. The case where the percentage is lowest, 34 percent, is that of a summer resort village where a large number of the original villagers go down to Beirut during the winter.

Another case where attending members add up to only 49 percent of the general assembly is the Abadiyah cooperative, where many of the members are from the surrounding villages which makes it difficult for these members to attend every meeting due to the lack of convenient transportation between those villages, especially in the evenings.

Except for the few cases where some members intentionally want to embarrass the directors, little discussion is carried on by members in meetings of the general assembly. Figures related to that point are not available but this is the impression one gathers in interviewing these cooperatives.

A very small number of all cooperative members study the annual report before the election of directors to learn how well they have managed the affairs of the society. It is doubtful that more than a small number of members study the annual reports at all. They form their knowledge about the work of the cooperative from what the officers, manager and directors tell them. Members generally approve the annual report presented by the board on the business operation of

the year and financial condition of the association as a routine part of the annual meeting of the membership.

Election sessions are more popular than normal sessions and attendance on such occasions is variable. No accurate data could be collected on the percentage of members that vote for directors. The members nominate their candidate for the board of directors from the floor and the election is carried on by the secret ballot method.

Members do not suggest plans or make operating decisions, these are normally left to the board of directors. The topics for discussion at member meetings are suggested mostly by the officers and the board of directors. The members vote on them after they have been discussed.

The board suggests the amount of funds the association should borrow, and usually the members make the final decision by voting in the general assembly. These are the items in which the members have a greater interest and even discuss with the board, but the board does most of the decision making on the majority of matters because of lack of interest and education on the part of the members.

In one case the chairman of the board of directors made all the decisions and did not call for meetings of the general assembly for the last eighteen months. He calls the board of directors into session only occasionally.

Decisions such as the maximum loan to members, credit limit for individual members, addition of new services and use of net savings are all made by the board of directors and not by the members. However, in some cases, the board does ask the approval of the members

on such items. Members have yielded a great deal of their authority and responsibilities to the directors because those who have been elected to the board are usually the most influential, educated persons and the members trust and have confidence in their judgment.

Cooperative Staff

Farmer cooperatives in Lebanon have difficulty in obtaining well qualified staffs at prices they can afford to pay. Their operations are mostly seasonal and they do not have sufficient volume of business to be able to pay a manager and staff for the entire year. Consequently, various arrangements have been worked out for management and workers to carry on the services the cooperative performs for the members.

The survey revealed that there are five cooperatives that have no salaried staff and pay no per diem remuneration to their directors who handle the business of these cooperatives. To carry on a cooperative business on a voluntary basis is a great handicap to the association. The directors have to devote much of their time to handling the affairs of the association while they feel they are not obliged to do so. It is true that sooner or later these directors can give up the voluntary work because they are farmers themselves and need to devote their time to their personal business. Meanwhile, they serve their cooperatives with no financial reward because they feel that their associations are still weak and cannot afford the payment of any salaries. Kartabah cooperative followed a more acceptable policy when it paid its directors a per diem for the days on which

they had to come to Beirut and take care of the business of the cooperative.

Managers

In Table XVI we find that in Cooperative No. 1, the manager, who had previously occupied the position of director, is paid an annual salary while the other employees are paid monthly salaries. The employees are seasonally employed. They are hired from mid-May to the end of October.

In Cooperative No. 2, the manager has a small shop in town and along this responsibility he carries on the managerial activities of the cooperative. This explains why he is willing to accept such a low salary. His work in the cooperative does not take much of his time and does not form the main portion of his income. The society, on the other hand, cannot offer to pay a higher salary for a full-time manager and has to settle for what it gets for the salary it pays.

In Cooperative No. 3 there is no manager but when the board, which assumes the job of a manager, delegates any of its members to go on an errand for the cooperative it pays him L.L. 8 per day. The employee who gets L.L. 50 per year is an office boy who carries messages to the members from the directors. He does very little work, but still he is very much underpaid.

In Cooperative No. 5 the market representative, who is paid L.L. 120 per month, works only four months of summer. Cooperative No. 7 is the only cooperative that pays its manager a salary equal to his opportunity cost outside the cooperative. Only three coopera-

Table XVI. Cooperatives staff.

Name of Cooperative	Management	Salary Yearly	Other Employees	Salary Yearly
1	Manager	L.L. 1,000	Representative in the Beirut market	L.L. 1,050
			Clerk	750
			4 Laborers	8,390
2	Manager	300		
3	Board of Directors	L.L. 8/day for director on mission for coop.	Office boy	50
4	B.O.D.	0	0	0
5	B.O.D	0	Representative in the Beirut market	500 seasonal for 4 months
6	B.O.D.	0	0	0
7	Manager	3,000	0	0
8	Board of Directors	0	2 employees	4,800
9	B.O.D.	0	0	0
10	B.O.D.	0	0	0
11	B.O.D.	0	0	0

tives have hired managers running their business. These managers were all appointed by the boards of directors and function under their supervision. The functions of these managers are no different from the activities of managers in general. Under the direction of the board of directors, these managers carry on the usual business operations of their different associations, including the purchasing, marketing, and handling of all products and supplies handled by the association. They maintain the records and accounts with the help of either the treasurer or the appointed clerk, depending on the set-up of the association, in such a manner that the true and correct facts of the business may be ascertained therefrom at any time. The managers supervise the employees, if they have any, such as in Abadiah.

The plan of Cooperative No 8 for 1961 was that the full-time employees, who are paid L.L. 200 per month each, will be joined by a manager to whom they will act as assistants.

EVALUATION OF COOPERATIVES IN LEBANONA. Percentage of Registered Cooperatives Operating in 1961

There were 128 registered agricultural cooperative associations in Lebanon on April 1, 1961, as reported in Chapter II. Only the Abadiyah association had a registration dating as far back as 1938. The rest were registered between 1954 and 1959. Eleven of the 128 are active, which, if expressed percentagewise, would be 8.59 percent. These are the cooperatives of Abadiyah, Baskenta, Kartabah, Mayfuk, Baysour and Salima in the Mount Lebanon Region; the cooperatives of Jebrayel, Hakour, and Sheik Taba of the Akar Region; and the two cooperatives of the Beka'a Region, Kab Elias and Housh El Oumara. The rest, 117 cooperative associations, could be divided into two general categories. Those that were active for a period and then ceased functioning due to one or more reasons to be analyzed in section E of this Chapter. The other category, which forms by far the absolute majority, were never active since their registration.

- In fact, it appears that these latter cooperatives were formed primarily to have a registered cooperative in the village. By forming a cooperative and registering it in the cooperatives department, the members would have a guaranteed annual financial donation from the Ministry of Agriculture and whenever any free fertilizer or seeds were to be distributed among cooperatives these members would get a share.

The free fertilizer and annual government monetary donations were enough of a stimulus for some villagers to start a cooperative even though they had no conception whatsoever of the principles of

cooperation or the normal purposes and objectives of farmer cooperatives. In reviewing the official membership records, it became evident that in many cooperatives membership was limited to the members of a single family, brothers and first cousins. A great number of these associations when first registering had exactly ten members and no more, because that was the minimum number of founding members required by the cooperatives law.

In comparing these inactive societies with the eleven active cooperatives we find that only three of the eleven had the minimum ten members at the time of registration while the rest had more. It is appropriate to mention at this point that the tendency of the majority of the Lebanese cooperatives was not to accept many members so that the new members would not share the accumulated and future donations and free fertilizer. This fear of competition from newcomers plainly demonstrates the absolute ignorance of the principles of cooperation and supports the statement that these members joined to receive benefits that are outside the usual sphere of cooperative action. If they had been operating within the framework of a true cooperative, they would have encouraged newcomers so that their association would have a larger volume of business which would make its operation more efficient. A larger membership would also have permitted the society to render services to its members at lower cost.

Another point on which the members of the inactive cooperatives could be criticized is their misunderstanding of how to use the government donations. These were not to be split between the members but were intended to be added to the reserves of their cooperative as

social capital for the use of the members in general and not withdrawn by members when they choose to resign from the association.

In one case, the old members decided to raise the price of shares from L.L. 10 to L.L. 20 per share because they had already received a sum of money in the form of government donation. When new members wanted to join, the old members figured that each member's share of the donation was going to decrease. To stop the new members from taking a share of the accumulated reserve, they divided the accumulated share capital plus the donations by the number of shares held by the old members and, consequently, the price of a share rose from L.L. 10 to L.L. 20. This cooperative had no other income besides government donations because it was completely inactive.

Another support to the previous statement that farmers formed and joined cooperatives in some cases just for the sake of getting free commodities and subsidies is the fact that farmers were joining such inactive cooperatives.

B. Accomplishments of Lebanese Cooperatives

1. Teaching farmers to grade their products.

Abadiyah cooperative was the first society to teach its members how to grade their fruit. It used to penalize each member who, intentionally or unintentionally, incorporated some poor quality fruit with the higher grades. The cooperative asked the members to bring their products to the cooperative warehouse and grade them in the presence of the cooperative representative. With time, the members came to appreciate the advantages of grading through the higher total returns which they were getting from the sale of their graded produce.

Now, all the members grade their fruit by themselves and only occasionally does the cooperative have to reprimand a member about the poor grading of his produce. Other marketing cooperatives followed suit in requiring their members to grade their produce before sending it to be marketed.

2. Competitive stimulation of production of better quality products.

The idea of grading created a kind of competition between the members on who is producing the best quality fruit. This was carried further when cooperatives started participating in agricultural fairs, and prizes were distributed to the best fruit exhibits.

3. Marketing graded and standardized products.

Along with grading, the members realized the difference between what the higher grades were sold for and the prices they got for the lower grades. They saw how much they were losing by producing some low grade products. This stimulated the members to raise and improve the quality of all their produce.

4. Provided local supply of chemical fertilizer, spray materials, sprayers, etc., to enable the members to carry out recommended improved production practices.

Fertilizer was made available on credit. As previously mentioned chemical fertilizer was distributed to the members on credit and at prices lower than the market price. The interest charged was very reasonable and the farmer was encouraged to use fertilizer in every way.

5. Performed effective spraying service at cost for production of superior quality fruit.

Most of the cooperative associations had sprayers which they either rented to the members or the cooperative sprayed the fields and charged the members a fixed rate per gallon sprayed. The members of the 8 cooperatives that had sprayers of their own had their fields sprayed annually. This contributed to the production of higher quality products by the members.

6. Supplied convenient credit to small scale farmers to enable them to expand production and increase their incomes.

Six cooperatives extended credit to their members. The members, as mentioned in Chapter 2, needed credit and it was not easy for them to obtain it from financial institutions because they were small farmers with little to offer as collateral. With the use of credit, the members could expand their farming operations by planting more of their land, hiring labor at the time of harvest, buying manure, etc.

7. Furnished low-cost marketing service in the interest of producers, including transport to the central market and standard size containers.

With the increase in their production by the use of credit and better cultural practices, the improvement of the quality of their produce by applying more fertilizer than before and by spraying their orchards more regularly, the members needed marketing facilities for

selling their increasing produce. Five cooperative associations included marketing services as one of their functions. The marketing departments supplied the members with standard size boxes and with cheaper means of transportation per box of fruit or vegetable.

8. Assured members accurate weights and measures.

A representative of the cooperative accompanied the fruit to the market. He observed the weighing of the boxes, although normally the boxes would have been weighed and the weight would have been included on the tag along with the grade and the number of the member.

9. Assured all members impartial sale of their products on the basis of quality through use of code numbers instead of names on containers.

The members are given numbers in most of the marketing cooperatives so that the wholesaler cannot favor one number, who might be his personal friend, over the other members. The market representative also observes the sale of the commodity and the price at which it is sold, so that no possible mistakes can be committed by the wholesaler.

10. Provided an accurate accounting of the proceeds of sales made at higher prices.

According to the directors of the Baysour cooperative, their graded grapes have developed a special market. The moment the grapes reach the market they are sold at 5-8 piasters per kilogram higher

than the market price.

11. Developed a high reputation for standardized grade and superior quality of cooperative products which resulted in prompt sale at highest prices.

Cooperatives' products in Lebanon, in general, have developed a reputation for being of better quality and more true to grade than other farmers' products. All these factors contributed to higher returns of member farmers. This demonstrates the accomplishments of cooperatives in the tangible field. Accomplishments which ended in higher monetary net returns to the member farmer from the sale of his products.

12. Members produce improved quality products for market as a result of the program of education about production practices conducted by cooperatives.

There are intangible accomplishments of cooperatives which should not be overlooked because some aspects of these intangibles contributed to the members moral and social character, just as the tangible accomplishments contributed to the members economic status.

Members of cooperatives are informed and enlightened directly by lectures from specialists in the field of agriculture who are members of the board of directors, such as in Abadiah, or by representatives of chemical fertilizer or insecticide companies, or by government officials invited by the board. A member has more opportunity of discussing problems facing him and meeting with fellow members who might know enough about the problem to be of substantial assis-

tance.

13. Enabled members to obtain credit and more liberal terms when purchasing goods from merchants.

By identifying himself as a member of a certain cooperative, a member acquires a wider sphere of trust and social prestige. Dealers and wholesalers who never knew the member, but who know the association to which he belongs give him credit more easily and deal more liberally with him than if he were to introduce himself on his own. They seem to feel, rightfully or mistakenly, that being a member of a cooperative is an assurance that the farmer has a reliable signature and good credit standing.

C. Apparent Shortcomings, Inadequacies and Deficiencies

The very obvious shortcomings, inadequacies and deficiencies that face our cooperatives are namely:

1. Lack of understanding of cooperation, of cooperative principles and practices, and how cooperatives function in serving members.
2. Shortage of funds to loan members for production purposes.
3. Insufficient capital for financing the services needed by members.
4. Lack of full-time managers in the majority of cooperatives.
5. Inadequate volume of business.
6. Lack of suitable records and accounts.
7. Few audits by outside auditors.
8. Lack of guidance and education by the responsible government

authorities.

9. Failure to establish membership responsibility.
10. Failure to follow basic principles.
11. Failure to render itself indispensable to the members in many cases.

Lack of understanding of cooperation, of cooperative principles and practices, and how cooperatives function in serving members.

The majority of cooperative members have only a vague idea about cooperation. They have an even fainter idea about the practices and the principles underlying those functions carried on by their cooperatives. This ignorance on the part of the members renders them helpless in front of their responsibilities to their association. On the other hand, this could be considered a major deficiency in the make-up of those cooperatives which hinders their activity and growth; mainly because in a cooperative the members are the cooperative, if they are ignorant and weak then the cooperative is helpless.

Insufficient capital for financing the services needed by members.

In most cases, the owned capital of a cooperative is made up of share capital. The low price of shares plus the limited number of members in most cooperatives, plus the fact that few members bought more than one share or invested in their cooperatives led to cooperatives having a very small amount of capital, which was not enough for both fixed and operating capital needs. Often it was not enough for operating capital needs such as extending short-term advances to

members, payments for purchases of goods and raw materials for the members, and the payment of wages of the staff. This restricts the scope of the services which can be performed for the members.

It is true that there are countries in which successful co-operatives have been built up without share capital, on the basis of loans mutually guaranteed by all the members and gradually paid off from accumulated reserves. The success of this method, however, depends on all members being men of equal substance, united by close bonds of mutual confidence. It would be impossible among men with little property and who do not have the understanding and hence the confidence in the idea.

Shortage of funds to loan members for production purposes.

Only three active cooperatives had borrowed loan capital from BCAIF up until 1960. The rest of the cooperatives did not borrow because their directors did not wish to be responsible, directly or indirectly, for repaying the loans. They did not want ^{to} become involved themselves with members' bad debts, or have to take legal measures in order to recover the borrowed amounts. Numerous cases were reported where the members borrowed from their cooperatives and did not pay back their debts, which ended in paralyzing the activity of their association. Cases like these have discouraged directors of many associations from borrowing funds for their cooperatives, and by doing so deprived the members of the association from credit.

In order to overcome the shortage of funds for extending production loans to members, Abadiah cooperative has started in 1961 a

plan to deduct 5 percent from the marketing proceeds to accumulate an adequate amount.

Lack of full-time managers by the majority of cooperatives.

The importance of good management in the success of cooperatives is widely recognized. The engaging of a competent manager by a cooperative is a necessity that does not have to be overstressed.

The hiring of an incompetent or poor manager by a cooperative handicaps the association and limits its progress. A poor manager may have no plans for the improvement and expansion of the cooperative's functions and services. He may not report the actual business standing of the cooperative or be able to correlate the association's broad policy with the day-to-day activities. Lastly, he may not appreciate the value of records and accounts; and therefore not keep good records. Such a manager is not only a handicap to the progress of an association, but also a liability to the cooperative.

Inadequate volume of business.

Inadequate volume of business is often given as a reason for the failure of cooperative associations. The previous paragraph demonstrated the importance of an experienced manager and a capable staff of workers for the success of a cooperative. Such a managerial staff, however, requires fairly high salaries which a cooperative cannot afford to pay unless it has a substantial volume of business.

The volume of business handled by Abadiah cooperative was larger than that handled by any other cooperative. Nevertheless,

the salaries paid to the manager and his staff were more than the cooperative could support on the 3 percent deductions it has been making on the business transactions of the members. It would be appropriate to mention in this regard that all the employees of Abadiah, including the manager, were rather underpaid.

This demonstrates very clearly the inadequacy of the volume of business transactions carried on by the various cooperatives and their inability to engage competent managers and staff for the efficient handling of business. A large number of these cooperatives have no offices where they can meet and keep their records. Their meetings take place in various locations, such as the homes of some of the members or in the village coffee house.

Lack of suitable records and accounts.

These are of particular importance to cooperative associations. Their records must be clear on such matters as the amount each member has paid in membership fees, capital stock or other forms of investment. They must indicate how much each patron has sold to or through the association, or purchased from it, so that savings can be allocated on the basis of patronage.

Then there are the usual accounting records from which monthly and yearly income and expense statements are made and from which any cost analysis has its start. Managers and directors cannot make wise decisions when they do not know whether the business is gaining or losing.

The records available at some cooperatives are kept in a disorderly, unorganized manner, while some cooperatives had no records

at all!

The accounts, which were mostly kept by the treasurers of the associations, were more like household accounts than business records. Some small cooperatives can struggle along for some years with few, if any, account books and business records. But their lack is a serious handicap to growth and some cooperatives fail because their records do not warn them in time.

Few audits by outside auditors.

Only three cooperatives had their books audited by a qualified auditor, while the rest of the societies had never had their books audited. Thus, most Lebanese cooperatives do not know their financial status except very vaguely.

The annual audit is done by a competent public accountant who is employed by the board of directors. Such an independent audit informs the board of directors and the members of the correctness and adequacy of the records and accounts. It also gives an independent view on operating procedures which need improvement. It is very important for inducing all persons handling money and property of the cooperative to handle and account for these items correctly.

Lack of guidance and education by the responsible government authorities.

The Department of Cooperatives was established in the Ministry of Agriculture in 1954. Its staff was made up of officials newly acquainted with the idea of cooperation. They were in no position to carry on extension work in the field. Their limited educa-

tion and experience did not equip them with the right knowledge to help them guide newly formed cooperatives. Discussion with the officers and directors of many cooperatives in the course of making this survey revealed that these farmers had the desire to improve the work and services of their cooperatives, but lacked the knowledge of how it could be done. The only possible source of guidance was the Ministry of Agriculture, but none was obtainable there.

Failure to establish membership responsibility.

Cooperative associations often fail to create a feeling of responsibility among their members. Cooperatives in the United States often have less than 10 percent of their members present at annual meetings. In Lebanon the situation is different, the majority of members attend association meetings. The reason being that the membership is small and the meetings take place in their own village and in the evenings when the farmers are free. In Abadiyah, where some of the members are from surrounding villages, and because of its larger membership, the attendance tends to be lower than most of the other associations. Though members do attend meetings and in a relatively high percentage, they do not participate in discussions or contribute much in ideas to their cooperative. Their attendance tends to take the form of social activity rather than a business discussion. As a result many members attend meetings, but contribute neither to discussions on improving the business workings of the society nor the business volume provided by the patronage of the members, many of whom are not faithful to their association.

Failure to follow basic principles.

Fortunately or unfortunately, there is no one group of principles that is considered to be the magic list which, if followed by a cooperative, automatically makes it a success. However, there are four basic principles that were accepted by most cooperatives after a long time of experience in the field, and after lengthy discussions and conferences by leaders of the movement.

These basic principles are violated by most of the active cooperatives, not to mention the inactive cooperatives whose inactivities are due mainly to their complete neglect of these principles. Few of the active cooperatives have their doors open to new members. No cooperative in Lebanon distributes patronage refunds! No returns are made on share capital invested in the association! Not all of them have democratic practices and control, even though it is included in the bylaws of every association.

Meeting an economic need.

Cooperatives in Lebanon fail without any questions asked or answers given! This would not have been so if cooperatives had signified much to their members; if the members felt that they were enduring a heavy loss by losing their cooperative. Unfortunately, not one example can be cited in which the members of any of the failing cooperatives called for a meeting, discussed the difficulties of their cooperative, and tried to do anything about them. On the contrary, the cooperatives declined in activity over a period of time and the members started dropping out, unconcerned about the fate of the society.

The reason is that the cooperatives were not truly meeting the needs of the members and had not made themselves indispensable.

These and other limitations contributed to the failure of quite a number of cooperatives.

D. Essentials For Success of Cooperatives

Studies in various countries around the world have revealed a number of elements and factors which generally combine together to determine whether a cooperative is successful over a period of years. The more important essentials have been found to be the following:²¹

1. The cooperative must meet an economic need recognized by the members as important to them.
2. The association must have the loyal support of its members.
3. The business of the cooperative must be managed efficiently.
4. The volume of business has to be large enough to afford economical operations.
5. The cooperative must have sufficient member capital so that it can borrow enough money for sound financing of its operations and services.

Each of these essentials of success will be discussed in relation to the Lebanese cooperatives studied in the survey to evaluate the relative factors in their success or lack of success. This will

21. Bakkan, H.H., and Shaars, M.A., op. cit. 198-199

serve to indicate what things are important for greater progress.

The cooperative must meet an economic need recognized by the members as important to them.

The justification of any association rests in the fact that its members achieve more satisfactory results from collective effort than is otherwise attainable through individual effort. The greater the need and the more satisfactory the service performed, the more enduring the association will be.

The Lebanese cooperatives vary in the number of services they perform for their members. Abadih is a multi-purpose cooperative (its purchasing department was re-established in 1961) and hence meets more needs of its members than Salima cooperative which limits its services to spraying the orchards of the members. Abadih markets the fruits and vegetables of the members, gives credit and purchases raw materials for the members. The members are satisfied with their cooperative because it is meeting their needs, and this is what has kept Abadih cooperative active and expanding its membership.

Not all the cooperatives in Lebanon are multi-purpose and meet all the needs of their members. During the interviews it was noticed that some of the big cooperatives did not market the produce of their members, though the need for cooperative marketing existed. When asked by the interviewer about the reason, the directors cited the Kernayel cooperative experience in which this cooperative, in trying to market the apples of its members in the French markets, for one reason or another went bankrupt with the result that the association was in debt for about L.L. 100,000.

In the case of Sheikh Taba cooperative some of the members resigned from the association because the cooperative had limited its activity to making small loans to the members. The larger farmers could not use the small loans for their purposes. This led to their withdrawal from the cooperative.

Baysour cooperative met a lively need of its members. Means of transportation between Baysour and the Beirut market used to be and still is very irregular and difficult. The members were mostly fruit and vegetable producers who wanted their products to reach the market early and used to pay extra for a truck to come at night and carry their produce to the market. The cooperative members decided that they needed a truck which would regularly transport produce at reasonable prices. The cooperative bought a truck in 1959 which is still used by the association. This made marketing no longer a problem for the Baysour members.

In many villages the need existed and cooperatives were formed to meet that need. However, it was not always easy for the cooperative to meet those needs due to any one of the previously mentioned shortcomings or deficiencies of the cooperative. In such cases the cooperative survived for only a short period. Those cooperatives that were formed to meet no particular need also were not to last. For example, most of the chemical fertilizer stimulated cooperatives faded away shortly after their registration because the members did not see any useful service the cooperative could perform for them.

The association must have the loyal support of its members.

The members of a cooperative are the sole contributors of bus-

iness to their association, except when a cooperative deals with non-members. This is not the case in the majority of our cooperatives. Therefore, the loyalty of the members determines the success or failure of their cooperative.

The four cooperatives that have 100 percent patronization by their members were among the smallest cooperatives, except for Baysour cooperative which had a small membership but handled a large volume of business. Mayfuk, Baysour, Jebrayel, and Hakour are the cooperatives that experienced 100 percent patronization by their members. None of these cooperatives have a hired manager; the management is carried on by the board of directors on a voluntary basis. The attendance at general meetings is among the highest.

These cooperatives could be considered more or less successful in regard to their limited activities and volume of business (with the exception of Baysour cooperative).

There is a clear positive correlation between the patronization of cooperatives by their members and the attendance at meetings by members. Both are signs of loyalty and support by the members for their association. An exception should be made, however, in the case of Abadiyah where the patronage percent is much higher than the attendance percent. This is due to the fact that Abadiyah has part of its membership from surrounding villages which makes it difficult for them to attend the meetings.

In contradistinction with those highly patronized cooperatives, Baskenta cooperative has 50 percent patronization by its members. Though it is one of the oldest cooperatives after Abadiyah - it was established in 1954 - the Baskenta cooperative has a limited volume

of business which has not been increasing in recent years. There is an obvious correlation between its relatively low patronization percentage and its lack of expansion during recent years, which is a sign of unhealthiness in the association. A verification should be made, however, that its stagnation during the last years was not due only to the low patronization by its members, because other factors are also important determinants of this behavior.

The business of the cooperative must be managed efficiently.

Any organization in order to succeed must be efficiently managed. It takes a good manager to run a business successfully. To secure a good manager, a cooperative society has to pay an inducive salary that will attract men of ability and energy.

The managers of the existing cooperatives are not all of the same caliber. During the interviewing of the different cooperatives, the author came in contact with two of the three managers engaged by different cooperatives. These two managers were those at Abadiyah and Keb Elias. The Abadiyah manager is a capable, energetic, sincere person who served on the board of directors for two terms before he became a manager. He had been a member of the association for a long time and knows his cooperative very closely. The Abadiyah manager might not be highly educated, but he has the capabilities of learning and executing what he learns. He is an asset to his cooperative. However, this manager was contracted with at L.L. 1000 per year. This is too modest a salary for a man with any experience and ability.

The Keb Elias manager is paid L.L. 3000 per year, yet he is not of the same caliber as the Abadiyah manager. Neither man enjoys a high level of education but still the Keb Elias manager was of more limited capabilities. The third manager, at Baskenta, was not known personally by the author. Better managers, however, could be secured by the three cooperatives and other cooperatives, if higher salaries were paid by the cooperatives.

Most cooperatives claimed that they could not afford hiring a manager. This is probably true in relation to their small volume of business. They need a capable manager in order to render superior service and tangible benefits to members but cannot support the expense while growing up to the point where the manager will earn his way. Although the necessity of a capable manager for running the affairs of the association smoothly and adequately is deeply recognized by every interviewed cooperative, the smaller cooperatives do not emphasize and demonstrate the need for a capable manager as greatly as the larger cooperatives did. This was mainly because the volume of business was smaller and the work involved in running the cooperative business did not occupy much of the director's time or energy. These directors were operating the business in what was considered by the members to be a satisfactory manner.

For such small cooperatives that have no fixed capital involved in their operations, where the business is seasonal and limited, and where the membership is small, the voluntary type of management is the most suitable kind of management, since no manager could be engaged with such a limited volume of business. The board

of directors in such cooperatives is very strict and particular in admitting new members because that would mean a larger volume of business which would be difficult for the board to handle. On the other hand, the volume would not be sufficient to make the employment of a manager possible because of the limited volume of business carried on by the village. This leaves the small village cooperative with no choice but to have their boards of directors run their business affairs and forget about hiring a manager. If the members of the board of directors complain that the cooperative is taking too much of their time, the cooperative could follow the Kartabah example and pay the directors that are delegated for a full day a per diem.

The other alternative which might be followed in the future by the small cooperatives would be to have the associations of a number of neighboring villages merge into one big cooperative that could afford to hire a qualified manager and a capable staff to assist him in running the affairs and business of the members. An agent working on commission could handle the needs of each village under the supervision of the manager.

Sufficiently large volume for low cost operation.

Insufficient volume of business is a serious handicap because unit costs are often higher than those of competitors. A cooperative seeking to make savings for its members has to work strenuously for low unit costs. Since one of the main reasons in establishing a cooperative is the lowering of costs to members, then a large volume of business is essential for the success of a cooperative.

The Lebanese cooperatives are not all of one category in relation to their volume of business. A look into Table will show that very clearly.

In the large cooperatives such as Abadiyah, a manager and a staff are engaged to handle this business. This same staff could handle a larger volume of business if it were available, and costs could be reduced still further. This would be beneficial because the 3 percent commission now charged is not covering the salaries of the staff and other expenses, and the balance is paid out of the government's annual donations.

The Baysour cooperative, which handles a business of about 125,000 Lebanese pounds as compared to L.L. 160,000 of Abadiyah, has one employee who is paid a fixed rate of 5 piasters per box marketed. The members' cost of marketing is substantially lower than the 3 percent deductions from total revenue charged by Abadiyah for the marketing service performed for the members. (3 percent of the revenue from a box of apples that weighs 18 kilograms and sells at 40 piasters a kilogram would be around 20 piasters.)

One of the reasons why Baysour can handle that amount of business without a manager and a large staff is because the whole business is supplied by 32 members as compared to 220 members in Abadiyah cooperative that patronize their association.

A second reason is because Baysour, though it handles a large volume of business, is on a very simple basis where no member files or records are kept. The director, being a capable man, is running the whole business, disregarding many of the basic principles of cooperation, such as not calling for members' meetings and rarely for

directors' meetings.

These are two cooperatives that have a volume of business around L.L.100,000. Abadiyah has about L.L.160,000 and Baysour has less than that, about L.L.125,000. Baysour's volume of business was enough to make the association buy a truck of its own, which was the members' most urgent need. It is true that if the truck could have a volume of business all the year round with the cooperative, the transportation charge per box could be reduced to less than 35 piasters. Nevertheless, seasonal variation in the cooperative's activity is characteristic of all Lebanese cooperatives because their members are involved in either fruit or vegetable production. None of the cooperatives is a dairy or a poultry cooperative that would have a continuous business throughout the year.

The volume of business in Abadiyah, as was mentioned previously, was not enough to cover the salaries of its managerial staff at a 3 percent charged rate. It could cover its expenses but make no savings whatsoever at a 5 percent charge, as will be demonstrated later. By charging 5 percent as handling costs to the members, the association may lose a part of its membership which already regards 3 percent as a considerable charge. Most of the rest of the Lebanese cooperatives are more like the Baysour cooperative in that the volume of business they handled was enough to keep their costs low only if no employees were engaged by the cooperative.

Sound financing of operations and services.

The problem of financing is an important determinant of the success or failure of a cooperative. Cooperatives need funds for

financing their business services and for extending loans to their members. With the exception of a few associations, the Lebanese cooperatives tend to emphasize the second objective of extending loans to their members more than the first. The capital needed for business services by the small cooperatives is negligible, since they pay no office rent, and if they did it would only be a few Lebanese pounds per year since rents in villages are extremely low. If the cooperative is a marketing cooperative, the only capital it needs is for the transportation of the products to the market. The revenues would be collected on the same day, after the products had been sold by the wholesaler. The members do not have to be paid anything by the cooperative for their products upon delivery since they are willing to wait for payment either until the money is brought from the market on the same day the products were sent or until a certain fixed day of the week set by the directors.

If the cooperative is a purchasing cooperative, it also does not need any capital since most fertilizer companies and dealers sell cooperatives and non-cooperatives on credit and charge them interest at the rate of 1 percent per month, which is a very reasonable rate considering interest costs in Lebanon and the services supplied with the fertilizer.

Abadiyah, on the other hand, requires some capital to finance its business services since it has to pay rents for an office and warehouse, salaries and incidentals. These expenses are recovered from the charges collected from the members for rendering the various services, supplemented by the annual fees paid by the members.

Funds are needed, moreover, by the cooperatives extension of loans to their members. Abadijah, for example, having a limited amount of member investment in share capital and insufficient funds to satisfy the members needs, started a revolving capital system in 1961. This revolving capital will be used by the cooperative to meet the credit needs of the members that were not met during previous years. In previous years Abadijah used to borrow from BCAIF, but the amounts borrowed were never enough to meet the members needs because the capital invested by the members was limited.

Other cooperatives that faced the same difficulty were in no position to start a similar system. Neither the directors nor the members were willing to assume the responsibility of such a complicated system which needs a mature understanding of cooperation and the field of cooperative financing, to which they are still alien.

The old cooperative law which was still in force when this report was made did not have any plans or provisions for the increase of the members' investments in their association. The author was not acquainted with the revised provisions of the new cooperative law, which was still under revision and study when this report was in preparation. Thus, he cannot comment on what the future effect of the new law would be on cooperatives in regard to fostering financial strength.

E. Analysis of Cooperatives Which Failed

Few of the many cooperatives that failed registered their discontinuance at the Department of Cooperatives in the Ministry of

Agriculture. It is understandable why they did not report their inactivity. They did not wish to lose the annual monetary donations they were receiving. This is especially true of those cooperatives formed for the express purpose of obtaining donations and aids.

The few cases where the cessation of activity was announced and declared to the public occurred when the discontinuance had been ordered by a court decree. In one instance the cooperative was divided internally with one party accusing the members of the other faction of violating the bylaws and the cooperative law. When the accused party reciprocated the charge all allegations were investigated and the court eventually dissolved the cooperative.²²

Many difficulties were encountered when an attempt was made by the author to study, through interviews, the causes of such a large number of failures among Lebanese cooperatives.

1. The number of failures and inactive cooperatives exceeded one hundred, and it was physically and financially impossible to visit all of these cooperatives.
2. Many of these cooperatives were so inactive from the beginning that the people in their villages did not know of their existence, which made it difficult to arrange for interviews with their former directors.

22. According to the Lebanese cooperative law, no one has the authority to dissolve a cooperative except by a court or legislative decree.

3. No full list of the names of cooperatives and their directors could be obtained from the Ministry of Agriculture until after the interviews were made through the difficult method of searching for cooperatives in many villages.
4. The directors of defunct cooperatives were very uncooperative and did not wish to discuss the failure of their cooperatives. When they did, they were not objective and frank about it.
5. Many directors refused to give any information, mistaking the interviewer for a government official investigating reasons for failure.
6. Many times the directors were not found in their villages, but in some neighboring village, or in Beirut.
7. When a director was asked about the possibility of studying the association's records, he immediately refused to give any further information.
8. In many cases the directors blamed the government for their failure and stopped at that, giving no explanation or support for their statement.

These were the major difficulties encountered by the surveyor in carrying on the interviews.

Some of the major reasons for the failure of so many cooperatives in Lebanon could be attributed to the following factors.

1. Lack of Education Regarding Cooperation and Cooperatives

The members of the majority of cooperatives had never been exposed to the principles of cooperation before joining their cooperative. The elected directors were also as ignorant, with perhaps one or two directors being more informed and educated about cooperatives than their colleagues. One may wonder why then should farmers go into the trouble of forming cooperatives if they do not know the basic principles and advantages underlying the idea or how to support and execute the idea. The answer has been mentioned previously, the majority of farmers were bribed into forming agricultural cooperatives. Fertilizers were distributed free to farmers' cooperatives, which in turn distributed them to their members. Annual funds were distributed to farmers' cooperatives in the form of donations or subsidies. Spraying motors and other machines were either donated to farmers' cooperatives or lent for the complete season, free of charge. Cooperatives were encouraged to participate in agricultural fairs and other similar activities and were rewarded by financial donations for participation.

These and other factors led to the premature foundation of some cooperatives that were later doomed to failure.

2. No Technical Guidance or Government Supervision

Once a cooperative was started, even if it had a sound starting basis, it received no guidance from any qualified source. The cooperative had to meet all the possible difficulties that may face a newly formed association but that could have been avoided with a

minimum amount of guidance toward the right methods of running a cooperative, and well-timed warnings against the normal, simple but detrimental mistakes that newly formed cooperatives can make. An example of such a mistake would be selling on credit to non-members in the case of a purchasing cooperative, or extending very generous loans to members, in the case of a credit cooperative, when the members would not be able to pay back the loan in the future because the amount loaned was larger than his income producing capacity.

3. Insufficient Capital

All newly formed associations had to face this difficulty. Some tried to overcome it by encouraging members to invest more in their cooperative. The response to such a call was very meager. Members of one association answered the call but the rest ignored it. In the cases where the members ignored the call for investing in their association, the board of directors became discouraged and tried to operate within the limits of the available capital. This led to the stagnation and paralysis of the association since very little could be accomplished by the use of such a small capital.

A third group of those societies where the directors had little faith in the cooperative and the members, and did not wish to bear any of the responsibility of borrowing, the cooperative had to limit its activity to what capital it acquired. This was normally insufficient to meet any of the needs of the members. The members consequently lost interest in the cooperative and, as a first step, stopped attending meetings. The second step involved the non-payment

of the annual fees, a move which effectively paralyzed the cooperative. This cooperative could not be classed as active, nor has it been dissolved by its members who go on hoping for new free gifts and looking forward to the annual subsidy or donation. The Department of Cooperatives, on the other hand, has no authority to dissolve cooperative associations except in cases of illegal commitments by the board of directors. There were 117 such cooperatives existing in Lebanon in April 1961.

4. Poor Management

A number of studies of the reasons for failures or suspensions of cooperative associations indicate that lack of efficient management is responsible about as often as any other single factor. Of 1,000 associations that failed during the years 1913-1923, 558 reported that inefficient management was the principle reason for the failure, according to the United States Department of Agriculture.²³

The majority of the cooperative failures were managed by their boards of directors. The members of those boards had little experience in any field of management, and especially cooperative management. Besides the lack of management ability among the directors, in many cases interest was also lacking. This may be more the fault of the members who used false standards in the choice of directors and disregarded the importance of ability and interest in the association. These members placed greater importance on the social

23. Bakken, H., and Schaars, M.A., op. cit. p. 337

and economic status of the elected directors.

A few notorious instances were reported where the dishonest manager of a very large cooperative brought to an end the activities of the association by swindling large sums of money from the society.

5. Insufficient Volume of Business

A minimum volume of business is necessary for an association to cover its minimum essential expenses. The lack of a sufficient volume of business by the association renders it unable to reduce costs appreciably for the members. This led many members to compare the advantages and benefits they were getting from their cooperatives with what they were getting when they were on their own. The advantages were not tempting enough, and disinterest in the association was the result. This disinterest took the form of absence from meetings and lack of patronization. The ultimate result was the cessation of cooperative activity.

6. Poor Accounts and Lack of Auditing

In order that the management of even the smallest cooperative can understand whether it is paying its way or not, correct mistakes before they have gone too far and plan the future on the basis of ascertained facts, there must be a sound system of accounting. The accounts in the absolute majority of the cooperative failures were kept by the elected treasurer, who perhaps never in his life had been acquainted with the basic principles of bookkeeping. Auditing, which

is the principal form of control, was not used by the majority of these cooperatives.

Neither the members nor the directors could tell where their association was heading until they were face-to-face with the paralysis of the cooperative and the stagnation of its affairs, stemming from false business procedures coupled with no accounting reports showing whether the cooperative was taking in sufficient margins to cover its expenses.

7. External Calamities

These played a very important and decisive role in the lives of many cooperatives. The 1958 political unrest that prevailed in Lebanon caused many debt delinquencies to occur in associations that had never had delinquency records. Those members who had never before been delinquent in payments now went into the experience and out of it without being penalized. Cooperatives were unable to penalize their members because that would have meant taking each one of them to court and confiscating his land since he had no money and was unable to sell his crops in 1958.

In 1959 a second calamity hit the Lebanese farmer. There was little rainfall that year and farmers' yields were reduced to half or less. By the end of 1959 the farmer who had been delinquent on his 1958 debt to his cooperative had contracted a new debt from other sources to meet the financial need for productive funds for the 1959 crop, and now had two debts to meet.

The cooperative associations that had their funds tied up in

1958 and 1959, for the previously mentioned reasons, also had them tied up in 1960 because other creditors had been given priority of redemption by the members to their associations.

This is why most of our cooperatives, even the active societies, engaged only in very limited activities during the years 1958, 1959 and 1960.

8. Political and Religious Controversies

Last, but not least in importance, is the effect of political as well as religious controversies on the failure of cooperatives. Many instances could be recalled when the activity of a cooperative was paralyzed because of the differences between the political sympathies or religious beliefs of the members.

These are the most important and outstanding reasons responsible for the failure of so many cooperatives in Lebanon. One of the important principles of cooperation is neutrality regarding politics and religion. This is essential so that members of a cooperative will disregard their different views in order to cooperate economically for their mutual benefit. When the members of a cooperative are unwilling or unable to put their outside differences aside, they cannot work together economically and thereby destroy their prospect for economic advance.

F. Contributions of Cooperatives to the Advance of Lebanese Farmers

According to the Economic Research Institute statistics 40 percent of Lebanon's population, either directly or indirectly, is

employed in agriculture. The population of Lebanon, according to the estimates of specialists in the field, is 1.5 millions (the last census was made in the mid-thirties). The total number of active cooperative members at the end of 1960 was only 671. By comparing these figures, a general idea can be formed about the insignificance of the number of cooperative members compared to the total number of people engaged in agriculture. The total volume of business handled by the Lebanese cooperatives is insignificant if compared with the total volume of agricultural business of the country. Nevertheless, there is a consoling reality in that cooperatives take time to develop. It has been over 100 years since the Rochdale pioneers opened their store in England in 1844. Yet, nearly a century later, the cooperatives did not handle more than one-sixth of the total retail trade of the country, nor conduct more than 5 percent of its manufacture.²⁴

In Lebanon, the major contributions of cooperatives to agricultural progress and rural improvement have been made by the Abadiyah cooperative.

Abadiyah Pioneer and Pace Setter

The survival and growth of Abadiyah cooperative through the hardships of its early years is a great accomplishment. It received no guidance or support from any authority, on the contrary it was fought and opposed by politicians on the basis that cooperatives might introduce

24. International Labor Office, Cooperative Management and Administration. I.L.O. Rep. no. 57. Geneva, 1960. pp. 75-76.

progressive ideas into the minds of their members and rid them of their old regressive ideas. It was opposed also by dealers and wholesalers who recognized the fact that this cooperative is going, directly and/or indirectly, to reduce their extravagant profits by competing with them in selling commodities to members at lower prices and marketing their produce at lower expenses, thus securing to the members higher yields. It was opposed by the village retailers who were afraid of this small business for the same reasons.

Along with those external factors, there were many internal factors that were creating headaches and troubles for the initiators. By overcoming the external as well as the internal difficulties which had faced it without any external help, and continuing to serve its members, the Abadiyah cooperative made a great contribution to cooperation in Lebanon. It acted as a pace setter to every newly formed cooperative, especially to the cooperatives that claimed that without any financial aid from the government they could not operate successfully. It proved that if members are faithful to their cooperative and depend on themselves, they can lead their association to success.

Cooperatives Raised the Standard of Their Members

Abadiyah and other cooperatives played an important role in raising the general standard of their members. Their aim was to make the member a better farmer of his fields, a better neighbor to his fellow villagers, and hence a better citizen of his country. The Aba-

Abadiyah cooperative, more than other associations succeeded in achieving this goal, through its large membership of farmers who were better equipped to accept these ideas. The leaders of Abadiyah cooperative worked long and hard to raise the standard of the members to what it is now.

The rise in the members' standard was achieved by increasing their incomes. This was achieved through lower costs for production supplies and loans, production of superior quality products, and marketing them for higher returns on a graded basis which resulted in higher net returns. Thus their incomes were enlarged to provide the money support for improving the level of their living.

The increase in members' income was not limited to economic marketing and purchasing by the cooperative. Other sources of income have been introduced to the members. In 1960 the Abadiyah cooperative received a donation of 3000 laying birds from USOM/Lebanon. These were sold to the interested members. Abadiyah, in April 1961, was marketing 2000 eggs for the members weekly. These were what was left after the personal consumption of the members and their families. This project stimulated some members to sense a profit prospect in a poultry farm. Two members went into partnership and were on their way to start a commercial scale farm in the spring of 1961.

Other cooperatives were not as successful as Abadiyah in improving the conditions of their members. Nevertheless, there was some observable improvement in the general status of the members of a number of cooperatives during the course of the survey early in

1961. For example, their detailed knowledge about chemical fertilizers and sprays which is not a common knowledge of Lebanese farmers.

Pioneered in Better Grading

It was Abadiyah first, followed by other marketing cooperatives, that emphasized better grading and quality of products. Grading now is practiced by all the big producers of fruit. Three packing houses were built for the purpose, and a Lebanese Fruit Board was established to supervise standard packing and grading for export. Abadiyah demonstrated for all to see that grading according to quality gives the retailer or consumer better satisfaction so that higher prices are paid once a reputation for grading and honest packing has been established.

Enabled Small Farmers to Compete with Big Producers

Many cases could be cited and many individuals could be named that have an annual production of fruits larger than the total volume of product of most cooperatives. A small farmer who produces a limited volume of product is in no position to bargain in the market, nor does he have any chance to compete with the larger producers, if left on his own. But, if incorporated in a cooperative association that has a sufficient volume of business, he stands on equal ground and competes effectively with the large producers. The low prices of fertilizer secured by cooperatives provide this production supply to the members with small farms at as low cost as most large farmers are able to buy it. The prices netted by members of Abadiyah coopera-

tive for fruits and vegetables compare favorably with those obtained by the general run of large producers, special deals excepted.

Credit Cooperatives Determine Interest Rates in Their Villages

Credit cooperatives and other cooperatives which extend loans to members have reduced the rate of interest charged by money lenders through competing with them and supplying the members with loans at reasonable rates of interest. Non-members have also benefited from the cooperative setting a reasonable rate which the money lender could not ignore when lending to villagers generally. As was pointed out earlier, cooperatives generally charge from 6 percent per year up to a maximum of 1 percent per month. Whereas the usual charges by money lenders range from 2.5 percent to 3.5 percent per month.

Competitive Pace Setting

These contributions of cooperatives to the advance of agriculture and rural life in Lebanon are more or less limited since the volume of business and activity carried by cooperatives is a very small percentage of the total volume of the agricultural business of the country and the members of the active agricultural cooperatives form a negligible percent of the total population involved in agriculture. However, visits to villages which have functioning cooperatives, and those that do not, demonstrate the influence which the existence of an active cooperative has in its area. Merchants of all kinds, as well as money lenders are forced by the competition of cooperatives to improve their services and keep their prices in line. Thus the existence in an area of a cooperative working in the interest of its members as a beneficial effect for all farmers.

CHAPTER IV

GOVERNMENT ACTIVITIES RE COOPERATIVES

A. Education of Farmers and Cooperative Members

Member participation in cooperatives is essential to success and members must be taught cooperative principles, techniques, management practices and cooperative economics. Farmers interested in forming a cooperative need education regarding what cooperatives are, how they operate, and member responsibilities as well as benefits.

In Lebanon, the responsible authorities had neglected this particular need completely. Hence we have no educational programs that are devoted to the enlightenment of farmers and cooperative members about the important subject of cooperation.

It was only in 1954 that the Department of Cooperatives was established, and became a section of what was called the "Agriculture Economics Department," and what later became the "Department of Agriculture Economics and Cooperation."

Its technical staff consists of two officials who had secondary educations in agriculture, and who were sent by the Ministry of Agriculture to Nicosia, Cyprus, in 1952 for a four-month training session on cooperation, that was held under the sponsorship of FAO and ILO of the U.N.

Due to the physical as well as technical limitations of the Department of Cooperatives, very little work has been carried on in the way of education of either farmers or members of cooperatives regarding cooperative practices. Those seeking enlightenment about farmer cooperatives cannot obtain information from any government source.

B. Registration

Any group of farmers that wish to work in a cordinate manner with respect to specific activities related and common to farmers, and wish to form a cooperative association that has a legally independant personality, have to register their association at the Agricultur Economics and Cooperatives Department in the Ministry of Agriculture.

The group concerned has to approach the Ministry to learn about the registration procedure and requirements. These requirements are:

1. Ten or more founder members who are farmers in the area and over 21 should sign the application for registration on behalf of the cooperative group.
2. Founder members have to submit along with the application a Judicial record clearance of each member.
3. The bylaws of the association should be submitted signed by the applying members that they do accept and agree to abide by these bylaws. Applying members usually have no idea how to go about drafting bylaws for an association, so the Cooperative Department supplies the applicants with a small set of bylaws which they may adapt fully or introduce changes and amendments to suit their particular association but conforming with the provisions of the cooperative law.

The applicants carry on most of the work involved

in the registration procedure in the Department of Agriculture, assisted by the officials concerned.

C. Supervision

The Department of Cooperative's supervision activities are:

1. Requiring the various associations to submit a report at the end of each year which should include a statement of accounts for the past year, the financial position of the cooperative, and explain the reasons for any progress or regress in the financial standing.

The majority of cooperatives, however, have not been submitting such reports. But even if the cooperatives had submitted such reports, the department would not have been able to make good use of them because most of the cooperatives have not had their accounts audited, nor has the department any accountants on its staff to study the reports adequately to analyze their meaning and advise the cooperative how to improve.

2. The other tool of supervision that is used by the Department of Cooperatives is the inspection visit that the department officials make to the cooperatives. The effectiveness of these inspections was very minor insofar as the Ministry employees did not check the books and records of the associations during these trips. The inspection was limited to a few questions asked and to some instructions given by the officials to the directors.

D. Technical Advice and Guidance

If any technical advice or guidance had been extended to Lebanese cooperatives, then it must have been on such a small scale that it left no marks on those cooperatives. Abadiyah cooperative received sincere technical advice and constructive guidance from its two leaders, Mr. Halim Najjar and Mr. Fuad Najjar, and not from the Department of Cooperatives. With the exception of Abadiyah, the other Lebanese cooperatives could be used as a demonstrative example of cooperatives formed and operated with the least possible amount of guidance and technical assistance.

The only technical staff members that the Department of Cooperatives had were the two officials who got their training on cooperatives in Cyprus. What qualifications do four months of cooperative training give an individual to plan and carry out an extension program in cooperation? Again, if a supposition were made that it was possible to carry on such a program successfully after a short period of training, physically it would have been impossible for two persons to guide, advise, and supervise all the more than 100 registered cooperatives in Lebanon. Emphasis should be placed on "registered," because it was the duty of the Department of Cooperatives to give guidance to every registered cooperative, especially during its early stages when guidance and assistance were determining factors in the success or failure of those associations.

Moreover, if every registered cooperative had been guided in the right track, a large number of our cooperatives that are considered failures now would have been saved and put in a healthy operating condition.

E. Taxation

Agricultural land in Lebanon is very lightly taxed to encourage investments in agriculture. For the time being all agricultural land is exempted from taxes by a law which provides a five year exemption from taxes for all agricultural lands, starting with 1958, for the purpose of helping the farmer and encouraging him to stay on his land, and encouraging capital to flow into agriculture. Agricultural income is exempted from taxes also along the same lines.

Farmer's cooperatives, naturally, receive the same treatment of exemption from taxes and, moreover, they get annual subsidies from the Ministry of Agriculture in the form of many donations.

Till now there are no objections by the private firms and corporations to this paternalism in the treatment of cooperatives, which are being subsidized and not taxed. The reason is mainly because cooperatives do not provide really menacing competition in the market to private firms and corporations. Another reason is because income taxes in general are not a heavy burden on the different sectors of the economy.

F. Loans to Farmer Cooperatives

The government rendered a service to farmers in general and cooperatives in particular by providing 40 percent of the capital of BCAIF (Banque Credits d'Agricole, Industries, et Fonciers). BCAIF is the only semi-governmental financial institution in Lebanon. Its agriculture department extends credit to farmers and cooperatives.

Cooperatives can borrow, as short term or seasonal loans, up

to L.L. 60,000 from BCAIF at 5 percent rate of interest, as compared to L.L. 6,000, which is the maximum amount lent to an individual at 5.5 percent rate of interest. As intermediate term loans for eight years, cooperatives can borrow up to L.L. 150,000 while the maximum credit given to an individual farmer is L.L. 30,000. Rates of interest are the same for the longer term and short term loans.

There is one important difficulty to borrowing from BCAIF, and that is its strictly conservative lending policy. This is due mainly to the pressure exerted by the private share holders holding 60 percent of the shares in demanding full protection of their capital through such a conservative policy. It is difficult for cooperatives to borrow sufficient money to meet the legitimate needs of their members for production loans and for cooperative purchasing and marketing services.

G. Training of Personnel

The Department of Cooperatives has neither the personnel, nor the facilities at present to carry on any training program for directors, managers, bookkeepers, accountants or other personnel of farmer cooperatives.

It is a truism that no movement can succeed without proper leadership. No proper leadership could possibly be produced without a competent educational and training program. If we hope to produce leaders in the field of cooperation, we have to develop them through training and experience. Thus, a training program for leaders in the farmer cooperatives of Lebanon is basic for evolving successful cooperatives.

CONCLUSION

A superficial consideration of the fact that only 11 of the 128 registered cooperative associations are still active might lead to the all too easy assumption that Lebanese farmers lack the spirit of cooperation and are unable to work together in a sustained effort to improve the welfare of their community. However, a critical evaluation of cooperatives in Lebanon should also take into consideration the following points.

First, not all of the 128 associations registered with the Ministry of Agriculture as cooperatives were started with the intention of functioning as cooperatives. The initiators of many of these associations were not public spirited farmers coming together to form an association that would render them services at cost. They were mainly intent upon receiving the material benefits that were distributed annually by the government only to registered cooperatives. Second, except for the Abadiyah cooperative, members of the Lebanese cooperatives received no education in cooperative principles and practices, nor did the directors or managers have any instruction in putting such a program into action. Third, it was not until 1954 that the Ministry of Agriculture established a Department of Cooperatives. The very small staff has had only a limited amount of training in the field and has not been able to offer any substantial assistance to Lebanese cooperatives.

These points are submitted as the major factors that contributed to the undermining of cooperation in Lebanon. One should, perhaps, marvel that with these handicaps eleven cooperatives did manage to survive.

The idea of cooperation is not new to Lebanese farmers. They have often worked together on an informal basis, outside the ties of associations. An example of this is what the Lebanese farmer calls the "Aouny". The word in Arabic means help - the help of others. The Aouny is the coming together of the farmers of one village or locality to help with the building of a house, the harvesting of a vinyard or orchard, or any other problem that calls for collective work. It could not be fairly claimed, therefore, that the Lebanese farmer is too individualistic to permit a cooperative movement to succeed.

APPENDIX

Questionnaire Re Farmers Cooperatives in Lebanon

1. Name of coop. _____ village _____
Mohafazah _____
2. Date founded _____
3. Services and functions performed (in order of importance)
 1. _____
 2. _____
 3. _____
4. Number of members when registered _____
1958 _____ 1959 _____ 1960 _____
5. Number of members patronizing the coop. _____
6. Number of members who attend meetings of Assembly _____
7. Number of directors _____ Term of office _____
How often does the board meet _____
Are all directors elected at the same time _____
8. Responsibilities and functions of board
 1. _____
 2. _____
 3. _____
 4. _____
9. Number of members of the comptrollers committee _____
Term of office _____
Function of committee
 1. _____
 2. _____
 3. _____

10. Who manages the coop _____
11. If a hired manager, who appoints him _____
12. What previous jobs did the manager hold _____

13. How much is he paid _____
14. How does that compare with a person who has his qualifications working in a similar field _____

15. Responsibilities of manager
1. _____
 2. _____
 3. _____
16. Other employees
- | | Position | Salary | Period of Employment |
|----|----------|--------|----------------------|
| 1. | _____ | _____ | _____ |
| 2. | _____ | _____ | _____ |
| 3. | _____ | _____ | _____ |
17. Stated price of a share _____
18. Number of shares required for membership _____
19. Share capital paid at time of registration _____
20. Share capital at end of 1960 _____ How many shares sold to 1961 _____
21. Entrance fee _____
22. Total entrance fees paid to end of 1960 _____
23. Annual fee _____ Total annual fees for 1960 _____
24. Government subsidy in 1958 _____, 1959 _____, 1960 _____
25. Total capital at 1960 _____
26. Reserves _____

27. Has the coop borrowed any money _____
How much _____ What for _____
From what source _____
How much was owed at end of 1960 _____
Terms of repayment _____
Rate of interest _____

MARKETING

28. What products _____
29. Quantity and value of each _____

30. Total money volume in 1960 _____
31. What handling cost does it charge members _____
32. Total amount of charges for 1960 _____
33. Total cost of handling products in 1960 _____

PURCHASING DEPARTMENT

34. What commodities are purchased _____
35. Quantity and value of each _____

36. What was price charged to members _____
37. Compare it with the market price _____
38. What price did the coop pay _____
39. Does the coop pay cash _____, if not, what rate of interest _____
40. Total value of supplies sold to members during 1960 _____
41. Do members pay cash _____
42. Credit terms _____
43. Total volume of fertilizer and chemicals sold in 1960 _____

CREDIT DEPARTMENT

44. Number of loans to members in 1960 _____
45. Term of loan _____ Maximum amount _____
46. Total amount of loans to members in 1960 _____
47. Total borrowed capital in 1960 for loaning members _____
48. What interest rate is charged to members _____
49. What interest rate does coop pay _____
50. What collaterals does the coop give _____
51. What collaterals does the coop require from members _____
52. Source of loan _____
53. Purpose of loan _____
54. How many delinquent debts did the coop experience in 1958 _____, '59 _____ '60 _____
55. Plan for collecting delinquent loans _____
56. Main reasons for delinquency
 - 1.
 - 2.
 - 3.
57. What is sum total of those delinquencies up to 1960 _____
58. Does the coop require borrowing members to market their produce through the coop _____
59. Other services
 - 1.
 - 2.
 - 3.
60. Total revenue for 1960 _____
61. Total expenses for 1960 _____
62. Does the coop have an annual audit of its account books
Who makes this audit _____ Who selects the auditor _____

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