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EVALUATION OF SOME FARMER COOPERATIVES IN LEBANON

By

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FARMER COOPERATIVES

Mansur Bin Tareef

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Mansur Bin Tareef

ABSTRACT

A cooperative is a democratic, member owned, controlled and patronized business organization with unique characteristics and distinctive principles to follow. It aims at providing better economic services for its members at cost in order to improve their economic position. It contributes also to perpetuating primary group values in mutual aid and self help.

Cooperatives in Lebanon are of recent origin. The first society was organized in 1937 and registered in 1959 when the Cooperatives Section was established in the Agriculture Economics Department in the Ministry of Agriculture. The major activity of this section was and is the registration of cooperatives.

Out of the 130 societies registered at the end of 1962 the majority registered in 1956 and 1957 when the government gave free fertilizer to farmers who formed cooperatives. Very few cooperatives have been registered after the government stopped giving free fertilizer.

The number of functioning cooperatives is very few, and their volume of business is small. Their services cover the fields of loaning, buying supplies on credit, marketing,

spraying and threshing. They have succeeded to various extents in providing one or more services for their members. Abadiah Cooperative succeeded through providing a better marketing service for its members by introducing grading and standardized containers, which together with lower transportation cost improved returns to members. Kab Elias Cooperative provided a cheaper and more honest marketing service for the patrons.

The cooperatives studied showed many weaknesses and deficiencies. Among these, the most important are: not applying cooperative principles, failure to foster democratic control by members, *lack of promotion of education among members, little growth in membership or volume of business, *lack of adequate knowledge by members about cooperatives, a negative attitude of members toward inadequate services and general absence of accounts and records.

The "Inactive" cooperatives are so because they did not start doing any service for their members. Among the main reasons responsible for this are: *lack of cooperative "Know How", *lack of knowledge of specific services to be performed by a cooperative, *lack of interested local leadership, *no government help in providing education and developing the philosophy of self help and mutual aid, *and lack of sound government financial support.

The functioning cooperatives need to overcome their weaknesses and deficiencies by educating their members, providing adequate credit and better marketing services,

mobilizing savings of members and applying the principles of cooperatives in their operations.

The "Inactive" cooperatives should start by supplying credit needed by their members and marketing their products. They need particularly the stimulation of continuous visiting by members of the staff of the Cooperatives Section to develop understanding of farmer cooperatives. The Lebanese Fruit Board can be of help to them by providing storage and marketing services for their products and by supplying credit, particularly when fruits are placed in storage warehouse.

The Cooperatives Section should help in educating members, training directors, officers and staff, and by enabling cooperatives to have access to adequate credit at a low rate of interest.

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CHAPTER I

INTRODUCTION

Cooperatives have developed in almost every free democratic society and become an integral part of the whole socio-economic system. They are expressions of groups of individuals seeking to advance economically through mutual action.

A cooperative is principally a legal form of business organization whose members have certain ideals of democracy, social consciousness and human relations. It is a part of a free, competitive economic system.

A cooperative is a business owned, controlled and patronized voluntarily by its members and operated by and for them on a non-profit basis. It is a business owned by the people who use it, not by those who simply invest in its capital to earn profits on their money and have no use for its services.

"A true cooperative is not a socialistic organization as some of its detractors would have people believe. Socialism in its political and economic sense implies government ownership, control and regulation of basic industries. Cooperatives are defenders of private property right in all

types of business."¹

Cooperatives are institutions with both economic and sociological objectives. They aim at improving the economic condition of the members and therefore help their members achieve higher incomes. They attempt to perpetuate primary group activities and serve primary group values so that they do not die with the development of secondary group relations and the emergence of secular values.

Sociological Objectives of Cooperatives

"To the sociologist, cooperation, conflict and competition are not loaded words. They are quite objective words used to describe three different types of human behavior, each of them quite universal and quite susceptible to being observed. Each is also a key to an elaborate theory of organization or system of human relations. Whole schools of sociological thought have been constructed on the so called conflict theory....

"There are those... who believe that it is only through conflict that progress is made; that only by internal mental and emotional stress or conflict is the individual stimulated to act, to decide between alternatives, or to make decisions of any kind... They say that conflict, if not the law of life, is at least the law of learning and progress."²

¹ M.A. Schaars, "Farmer Cooperatives", News For Farmer Cooperatives, F.C.S., Vol. XXIX (March, 1963), p. 8.

² C.C. Taylor, "Objectives of Farmer Cooperatives", Agricultural Cooperation, ed. M.A. Abrahamsen and C.I. Scroggs, (Minneapolis: Univ. of Minnesota Press, 1957), p. 84.

"Others are like Kropotkin, who, in his book on Mutual Aid asserted that 'sociability is as much a law of nature as mutual struggle.' He said, ... 'in proportion as we ascend the scale of evolution we see association growing more and more consious.' He went so far as to assert that 'human society could not be maintained for even so long as the lifetime of one single generation except by the practice of mutual aid.' Even Charles Darwin said, in his Descent Of Man, that those animal 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 level of attainment in group situations than when alone and that they have a higher personal capita attainment when working in team work with others than when working either alone or in competition with others..... Lorenz showed that under most favorable conditions he could increase the efficiency of individual workers only 16.8 percent. By breaking the tasks so that each worker would do just one part, he could increase the efficiency 30.3 percent. But by having them work in cooperative groups of six persons, he increased the efficiency by 39.9 percent."³

³ Ibid., p. 85.

C.H. Cooley "classified all human groups into Primary and Secondary groups and called the sentiments which are sustained by primary group behavior "primary group values."⁴ "Primary group activities and a belief in primary group values did not die with the development of secondary group relations and the emergence of secular values. The fact that they have never died is a part of the cause of the growth of the co-operative movement. Historically and sociologically viewed, the cooperative movement has 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 serving 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. If they are also membership operated they need not depend very much on propaganda or even depend greatly on so-called public relations, both of them tools of great secular organizations."⁵ They can and will depend on membership education which comes chiefly through membership participation. I mean membership participation in local units of the cooperative organizations, and membership

⁴ Ibid., p. 87.

⁵ Ibid., p. 87.

participation in neighborhood and community discussions, i.e. primary groups, or semi-primary groups. This means that not only cooperative idealists and practical leaders of cooperative associations, but members must understand the values of cooperative behavior."⁶ This is very essential to keep co-operatives and the cooperative movement alive.

Movements are different from revolutions or revolts which attempt to overthrow the whole political, economic, and social order of a society. They are different from isolated reforms which pick or peck piece-meal at some single mal-adjustment. They arise and are perpetuated by a felt need for a basic adjustment within and as a part of a whole economic, political, or social order.

In simple societies physical 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.

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 recreation, 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.

⁶ Ibid., p. 89.

Cooperatives are the bridge between these two 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 village cooperatives, or in the locals of large scale cooperatives, 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. To strengthen membership relations as a sole objective but neglect sound business procedures causes the bridge to sag at the other end. Only working constantly on both efficient business and local community relations keeps the whole bridge strong and demonstrates the uniqueness of cooperatives as a special type of economic and social organization.

Economic Objectives of Cooperatives

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 simple and easily understood, others are complex and can be understood only after a careful analysis of price theory.

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 rendered. The stated objective of most cooperatives is to perform a given service or function at cost in order to increase the return or profit of its members as producers, or increase their satisfaction as consumers.

Most "farmers' marketing cooperatives have, or have had, as their major economic objective the reduction of the margin between terminal market prices and the net returns to farmers, including patronage refunds."⁷

The fact that a cooperative is organized and begins operations 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 be purposely 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."⁸

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. Consequently it is essential that the cooperative obtain sufficient volume of business to operate efficiently and at low cost.

After a cooperative becomes well established and has

⁷ E.A. Stokdyk, "Cooperatives Economic Objectives", Abrahamsen and Scroggs, op. cit., p. 69.

⁸ Ibid., p. 69.

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 in the face of strenuous competition.

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 profit.

"In many cases cooperatives strive to maintain adequate handling margins so that they can carry out one or more of their objectives. The stated objective of many cooperative undertakings is to improve the service rendered patrons. Another is to maintain dependable outlets for producers."⁹

In the case of purchasing associations, the furnishing of a higher quality product is often considered. The narrowing of the spread between the cost of farm supplies at wholesale and net cost to farmers of supplies at retail, is another major objective.

"Farmers have found that they can provide themselves through their cooperative purchasing associations with supplies of desired quality at no higher prices than prevail in the community.... Farmers have found also that they can

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Ibid., p. 70.

provide for themselves through their cooperative purchasing association just the type of supply service they require.... The ability of cooperative purchasing associations to save farmers money ... by reducing merchandising costs, by giving an efficient distributing service while eliminating or curtailing certain services,"¹⁰ is another thing to induce farmers to purchase their supplies cooperatively.

"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."¹¹ Farmers gain a stronger bargaining power through their purchasing cooperative.

Principles and Practices of Cooperatives

A cooperative is a business organization which is different from other kinds of business organizations by its unique principles. As a business institution, it is amenable to the same underlying principles of successful business conduct as any commercial business. It requires adequate capital, efficient management, sufficient volume of business, good records and accounts, etc. However, the principles we are concerned about are those which underlie or spell out the cooperative character of a business rather than those applicable to any business organization in general.

The main internationally recognized cooperative principles are:

1. Open membership.

¹⁰ J.G. Knapp, "Economic Basis for Cooperative Buying", Abrahamsen and Scroggs, op. cit., p. 74.

¹¹ Ibid., p. 74.

2. Democratic control.
3. Limited returns to invested capital.
4. Service at cost.

To these can be added the Rochdale practices:

5. Political and religious neutrality.
6. Cash trading.
7. Promotion of education.
8. Cooperative prices in line with those prevailing in the community for the same quality.
9. Books, records and information freely available to members.
10. Federation with other cooperatives for wholesale buying, manufacturing and marketing.

1. Open membership

Membership in a cooperative society is open to all who can meet the requirements stated in the by-laws. Any one who has a common economic interest with the others in the society is free to join the society provided he is prepared to abide by the by-laws. Cooperatives include in their by-laws what is required from their members. Marketing through the cooperative and buying through it are examples of such requirements.

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 associa-

tion's facilities may lead to the establishment in a community of duplicate facilities with neither fully utilized. On the other hand, limiting membership to some given special interest group at times leads to greater harmony in the association affairs and to the provision of services especially suited to the given group.

2. Democratic Control

A cooperative society is an organization of the people who come together to run their own business through working together. The cooperative society should be managed in a democratic way on the basis that all members have equal rights.

Democratic control is based on the fact that those who own the association and are to benefit from its services as users or patrons should control it. "If they do not control the cooperative, the benefits they are seeking from it may disappear."¹²

The members constitute the legislative body which takes a vital interest in the major organizational and operation policies of the association. All who are members have the right to express their opinion in governing the affairs of their enterprise. The members are the

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H.E. Erdman and J.M. Tinley, Principles of Cooperation and Their Relation to Success or Failure, Calif. Agr. Exp. Sta., Bulletin 758 (Berkeley; Univ. of Calif.: Feb., 1957), p. 12.

association; they own it and must exercise their right to control it in order for it to be successful.

a) Election of the board

Members elect the 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.

According to the by-laws of most associations 'any bona fide producer who is a member of the association' is eligible for the position of trust."¹³ It is assumed that honest members will be selected, that they will possess leadership ability and good business judgement.

There are different nominating procedures used by cooperatives. Such procedures are: by a nominating committee; from the floor of the election meeting; by petition of members. Each association has to find the procedure which will assure the election of directors with desired qualities.

The control of a cooperative should be either on the basis of one-man one-vote, as is usually the case, or on the basis of the amount of business the individual contributes to his association. This is different from the usual business corporation where voting

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H.H. Bakken and M.A. Shaars, The economics of Co-operative Marketing, (New York: Mc-Graw-Hill Book Co., Inc., 1937), p. 339.

control is associated with the number of shares of stock held by each investor. This is logical and proper because the primary object of businesses other than cooperatives is return on capital invested. Capital, therefore, is the logical basis of organization and control. "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."¹⁴

b) Decision making

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

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

¹⁴ Erdman and Tinley, op. cit., p. 13.

suggest the range of important matters which they cover.

- (1) To adopt the constitution, by-laws, and amendments to these basic rules of the society.
- (2) To elect and recall directors.
- (3) To vote upon the appropriation of money for various purposes; to approve or disapprove laws; to increase or decrease the capitalization; and to authorize deductions for operating costs.
- (4) To require both directors and officers, as well as agents, to run the business legally and according to the constitution and by-laws.
- (5) To hold directors and officers liable for any damage incurring to the members for failing to discharge their responsibilities or violating the statutes, by-laws or constitution of the association.
- (6) To select a competent committee to periodically examine the records and audit the books, to examine the annual reports and books of the cooperative."¹⁵

The members, however, serve no good purpose in interfering with the employees and the manager in the details of the cooperative business. They have to take up such matters with the directors, who refer them to the manager.

¹⁵ H.H. Bakken and M.A. Schaars, The Economics of Cooperative Marketing, (New York: McGraw-Hill Book Co., Inc., 1937), p. 339.

The board of directors is the governing body and as such constitutes, with the manager, the active management of an association. Certain obligations rest upon this body.

- (1) To formulate operating policy.
- (2) To retain competent managerial officers who are to execute the board's policies.
- (3) To enforce the policies adopted.
- (4) To appraise the result of its policies.
- (5) To keep in touch with the membership as a liaison group between the association and the membership."¹⁵
- (6) To create confidence in the organization."¹⁶

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. Recourse through the courts is not possible except where a deliberate action causes provable financial loss to the cooperative and its members. In such a case, a director is held responsible for re-imbursing the members for the loss he caused.

"Legal powers granted to directors of associations are to:"¹⁷

- (1) Call regular or special meetings.
- (2) Elect the officers of the directorate.

¹⁶

Ibid., p. 340.

- (3) Employ a manager for the association.
- (4) Remove officers, for cause, or act to have them removed, and to fill the vacancies.
- (5) Receive, deposit and disperse refunds of the organization.
- (6) Make contracts.
- (7) Issue stocks and other instruments of credit or obligation.
- (8) Establish minimum prices on products.
- (9) Borrow money for the association in its name."¹⁶

3. Limited returns to invested capital

A 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 required as the financial foundation. 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 paid the same rate of interest on their share capital as the cooperative pays on borrowed money. However, the purpose of members in joining a cooperative is service at cost rather than profits on their investment. Therefore, they can have service at cost only if all savings above the cost of operating the cooperative are returned to them. Interest on invested

¹⁶ Ibid., p. 343.

capital is a cost which a cooperative needs to pay in order to obtain from members sufficient capital for financing the cooperative services.

The principle of paying a limited amount for the use of capital is dimetrically opposed to the principle of having capital be the principal beneficiary of any gains, as is the case in a non cooperative corporation. Capital does not become the claimant to the net proceeds of the organization, for if it did, then the interests of the investors would be paramount to those of the member patrons. It would, furthermore, imply that the major responsibility for success or failure was the capital investment rather than the patronage of the members. Consequently, in order that member patrons may obtain the major benefits of cooperative action, limited returns for the use of capital and the other agents of production are essential. The higher the dividends paid on shares, the less is the money remaining for division among the members on patronage refunds.

4. Service at cost through distribution of patronage refunds.

A cooperative is obliged by its by-laws to serve its members at cost. Since the costs cannot be known exactly at the time the services are performed, the charges can not be set to cover the total expenses exactly. In order to be safe, cooperatives follow the charges and prices established by their competitors which include the normal rate of profit. The surplus thus created is

termed "net savings". Net savings are used to pay interest-dividends on share capital at the current rate of interest charged by banks and the amounts stated in the by-laws are set aside in the various reserves to maintain the financial strength of the cooperative. The residual amount is to be divided among the members as patronage refunds according to the amount of business each has done with the society during the year.

A cooperative society is a non-profit organization. Its purpose is to perform some service or services for its members more satisfactorily than they get elsewhere and at lower net cost. It operates without profit through the distribution of patronage refunds. Some people have the idea that cooperatives earn profits as a result of their successful working like any other business concern. However, the dominant object of a cooperative society, it must be remembered, is the improvement of the economic condition of its members, and if this purpose is to be fulfilled, it must be able to earn savings as a result of its successful working like any other business concern. "What distinguished it from a similar business or organization is not so much in the making of profits as in the equitable distribution

of profits* so made."¹⁷ It must be made clear that the farmer, like any other business man, is after maximum profit from the operation of his farm. A cooperative is performing one or more services for the farmer members. When a cooperative distributes patronage refunds to a member it thereby helps the farmer by reducing the costs of the production supplies he bought cooperatively and by improving his returns for the products he sold through the cooperative. The result of course, is positively reflected in the farmer's profits from his farm.

The net savings of a cooperative legally belong to the members of the cooperative in their capacity as the owners of the business and on account of the contractual obligations stated in the by-laws to return to the members any surplus above expenses. The by-laws provide that all sums above the cost of performing services to the members must be returned to them as patronage refunds 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

¹⁷ K.R. Kulkarni, Theory and Practice of Cooperation in India And Abroad, (Bombay: Cooperative Book Depot, 1955), p. 29.

* The author is in error in using the word "profit" for the net savings of cooperatives which are entirely different from profits in the economic sense.

corporate income are authorized to exclude from taxable income the total amount distributed as patronage refunds."¹⁸

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

When a cooperative does business with non-members, part of the net savings represents the net margin above the expenses incurred on the volume of business done with non-members. If these net margins on non-members 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. Part of the patronage refund is actually profit made on non-members business.

To maintain the non-profit character of a cooperative, the net savings pertaining to non-member business must 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.

¹⁸ op. cit., p. 350.

The net savings are tangible evidence of the amount which merchants gained as profits on the business done with farmers before the cooperative was established. They demonstrate to the members how much they have saved by cooperating together to perform for themselves the services they need. 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, the amount of such solicitation expense is saved by the cooperative. Such savings arising from things which members do to reduce the cost to the cooperative which is serving them often constitute a significant portion of the net savings distributed

5. Cooperative prices in line with those prevailing in the community for the same quality

The practice of operating at prevailing prices or charges and returning savings to patrons is an important principle of cooperatives. The cooperative can avoid cutting prices which will surely encourage rivals to go into a price war with the cooperative. A price war may be very disastrous, especially to newly formed cooperatives. The rivals that were in business for a long time can very easily win such a war because of their accumulated capital resources. So the only

preventive measure is for the cooperative to avoid starting such a war by following the prevailing price. This policy can guard the newly formed cooperatives against overoptimism which commonly arises because new cooperatives overlook or underestimate important expense items.

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

6. Political and religious neutrality

When the principle of open membership is followed, 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 not to take up affairs that are obviously outside its sphere of business activities. The cooperative should avoid taking a stand on a controversy not related to its business because such controversies tend to destroy the mutual understanding and confidence among the members. Neutrality is important to maintain harmony among the members of a cooperative society.

7. Promotion of education

"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."¹⁹ One of the first obligations of an association is to stimulate the intellectual interests of its members. Education is very essential to make members understand the structure, organization and operation of their own institution which will make them more ardent supporters.

8. Books, records and information freely available to members

The free and continuous flow of information to members 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 constituent organisms.

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

All means of communication should be utilized and be close to the reach of members if genuine participation is the 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

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Erdman and Tinley, op. cit., p. 19.

of cooperatives.

9. The principle of voluntary participation and patronage

The Rochdale pioneers allowed their members as much personal and individual liberty; no one was compelled to join the association and after joining it, a member was at all times free either to continue or to withdraw from the association. Patronage was also voluntary. The member was under no obligation to purchase from the retail society nor was the retail society itself under any compulsion to make purchases from the wholesale society. This is because co-operation is not a compulsory organization and the essence of cooperation is that it shall work for all and all for each in the satisfaction of the common need. Everyone joining a cooperative society for the fulfilment of the common object and in doing his part of the work must be assured that all others who join are similarly doing theirs. The degree of success attending a cooperative concern must ultimately depend on the extent of loyalty with which each one works for the attainment of the common end. If this is so, it follows that members must be free to choose their own fellow-beings and must have discretion left with them to correct their choice, or even to withdraw ultimately.

There are cooperators who hold that this principle of voluntarism is a cause of weakness and acts as a

drag on the growth and progress of the cooperative movement.

"Cooperative opinion is divided in regard to the working of the principle of voluntaryism in actual practice."²⁰ One school of cooperative thought or rather the orthodox or the conservative school sticks to the principle of voluntaryism in its entirety, on the ground that a trend towards compulsion even in the slightest degree holds threat not only to all beyond the strictly material ends of cooperation but even to democracy itself. While the progressive school believes that in certain kinds of cooperative activities where the larger interests of the community as a whole are involved, there should be compromise with the principle of voluntaryism barely to the extent that is necessary without abandoning the principle of liberty in regard to the formation of a cooperative society or admission to its membership. The orthodox school believes that cooperation and compulsion do not mix successfully and that coercion even in the slightest degree is foreign to the conception of cooperation. One exponent of this school of thought is E.M. Hugh, who in her book entitled "The Cooperative Movement in India" severely criticises the trend towards compulsion and asks: "Which is more important in the long run,

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Kulkarni, op. cit., p. 36.

that the cooperative structure should serve as the only credit agency subsidized by the state, or that cooperators should remain true to their principles, accept the impossibility of developing on sound cooperative lines with sufficient rapidity to meet the need of all credit worthy individuals, and leave it to a supplementary agency to try to do what it cannot at the moment without departure from its own principle. Which is more valuable to the country, that immediate material benefits should be made available to as many of a group as possible, at the cost if need be of the ideals which are the heart and soul of the Cooperative Movement, or that the movement expand no faster than is compatible with those ideals? In the former case we shall have a soulless mechanism, however efficient; in the latter, given proper fostering, we shall have a Movement that promotes the development of individual character and the progressive realization of national unity and human brotherhood."²¹

The progressive school of cooperative thought believes in the introduction of some element of compulsion on non-members if their aloofness in joining a cooperative venture for the provision of some utility service seeking to serve the larger interests of the community as a whole wrecks the plan itself, as it

²¹ E.M. Hugh, The Co-operative Movement In India, 4th ed. (London: Oxford Univ. Press, 1959), p. 338.

amounts to giving a power of veto to the recalcitrant few acting through ignorance or even ill will. However, under normal circumstances, cooperatives rendering ordinary services assure their cooperative character by adhering to voluntary participation and patronage. They recognize that they should win the loyalty of members through rendering them superior service.

10. Cash trading

Cash trading forces people to live within their incomes. For the supply society cash payments for goods makes 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. This is because its capital is liquid and not tied up in accounts receivable from members who are slow or delinquent in paying.

"A cash system effectively reduces the amount of bookkeeping that is necessary under the credit system and eliminates losses on bad accounts." 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. Cash trading is still recommended, but members, especially when they do not have cash

always at their disposal, prefer to pay the costs for the convenience of credit. Careful controls are essential when credit is extended in order to avoid costly losses from uncollectable accounts.

11. Federation with other cooperatives

" Business concerns merge with one another for a variety of reasons. But the most important reason is to achieve larger scale operations. When a business is too small to do certain jobs efficiently, it has two ways of becoming bigger.... either through internal expansion, or by merding with other concerns."²²

Cooperatives when they want to do their business more efficiently achieve economies of volume and scale by merging or federating together. When cooperatives are small they will surely benefit by federation with other cooperatives. Also, even cooperatives which are big enough to do an efficient job are still small to do the best possible job in marketing the products of the members. Unless a cooperative is big, it simply cannot afford to spend enough for advertising to really make advertising economic. Nor can small cooperatives handle a full line of products, which is often necessary for efficient handling of supplies.

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

²² H. Bakken, Twenty Questions and Answers on Co-op Mergers, Dept. of Agr. Econ., Univ. of Wisconsin, Vol. II, No. 1, (undated), p. 7.

development of important new markets. Even if the cooperative had already its managers before federation, the cost per unit for management and staff becomes lower when they federate even if they now pay higher salaries for management and other staff members. Marketing cooperatives gain more bargaining power when they federate together.

Cutting procurement costs is another important economy often resulting from consolidating cooperatives. Consolidation can reduce costs through elimination of overlapping in hauling.

By combining their purchasing of supplies, purchasing cooperatives can obtain needed items at lower cost direct from manufacturers. Or a group of cooperatives can join together in a federation to own and operate their own feed and fertilizer plants.

CHAPTER II

HISTORY AND DEVELOPMENT OF COOPERATIVES

Formation of the Cooperatives Section

It was only in 1954 that the Cooperatives Section was established as a division of what was called "Agricultural Economics Department" in the Ministry of Agriculture in Lebanon. Later, the name was changed to the "Department of Agricultural Economics and Cooperation."

The staff consists of three officials, two of whom were sent by the Ministry of Agriculture to Nicosia, Cyprus, in 1952 for a four month training session on cooperatives held under the sponsorship of F.A.O. and I.L.O. of the U.N. The third is an agricultural engineer with no special training or interest in cooperatives.

The major activity of the "Cooperatives Section" is the registration of cooperatives. Any group of farmers that wish to work in a coordinate manner with respect to specific activities related and common to farmers, and who wish to form a cooperative association that has a legally independent personality, have to register their association at the "Agricultural Economics and Cooperation 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 years of age should sign the application for registration on behalf of the cooperative group.
2. Founder members have to submit along with the application a judicial clearance of each member based on police files.
3. The by-laws of the association should be submitted with a statement signed by the applying members that they do accept and agree to abide by these by-laws. Applying members usually have no idea how to go about drafting by-laws for an association, so the Cooperatives Section supplies the applicants with a set of model by-laws which they may adopt in full, or they can introduce changes and amendments to suit their particular association but conforming with the provisions of the Cooperative Law.

Years of Registration of Cooperatives in Lebanon

Farmers cooperatives in Lebanon are of very recent origin. The number registered in the Ministry of Agriculture through 1962 was 130 cooperative associations.

The first farmer cooperative in Lebanon was formed in

Abadih in 1937. "In 1938 other cooperatives were formed in Mokhtara, Ain-Anoub, Abay, and Keb-Elias but none of these 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 the cooperative. This led to poor management and failure."¹

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 on the formation of cooperatives."² A few societies were registered from time to time during the next fifteen years.

The year 1956 witnessed a great upsurge in the number of registered cooperatives. In that year the Ministry of Agriculture received a quantity of chemical fertilizer from the U.S. Mission to Lebanon 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 benefit of working together cooperatively."³ This explains the rush in the

¹ S. Al-Haj, "Farmer Cooperatives In Lebanon", (Unpublished Master's thesis, School of Agriculture, A.U.B., 1961), p. 1.

² Ibid., p. 2.

³ Ibid., p. 3.

formation of cooperatives by farmers that took place in 1956. The story of "free fertilizer" became very strongly associated with the history of cooperatives in Lebanon.

The majority of cooperatives were registered between 1954 and 1957. Before the present Cooperatives Section was formed in 1954, the cooperatives were registered at the Ministry of Internal Affairs just as any other social or political society. After the Cooperatives Section was set up, the Abadiyah Cooperative transferred its registration to this Section as an agricultural cooperative society.

The following table shows the years of registration of farmers cooperatives in Lebanon. It also shows the distribution of cooperatives in the four regions of Lebanon.

TABLE 1

YEARS OF REGISTRATION OF AGRICULTURAL
COOPERATIVES IN LEBANON

Year of Registration	Total Number of Cooperatives	Mount Lebanon	North Lebanon	Beka'	South Lebanon
1937 a	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
1961 b	0	0	0	0	0
1962	2	0	1	1	0

^a Haj, op. cit., p. 31 (1937-1960).

^b Cooperative Section of Ministry of Agriculture (1961-1962).

Number of Cooperatives In Various Regions of Lebanon

The distribution of registered cooperatives among the various regions of Lebanon is shown in Table 2.

TABLE 2

DISTRIBUTION OF COOPERATIVES AMONG THE
VARIOUS REGIONS OF LEBANON, 1962 ^a

Region	Number of Registered Cooperatives	Number of Active Cooperatives
Mount Lebanon	47	6
North Lebanon	42	3
Beka'	29	2
South Lebanon	12	0
Total	130	11

^a Haj, op. cit., p. 30 and Cooperatives Section of Ministry of Agriculture.

The data in Table 2 shows that Mount Lebanon comes first in number of active cooperatives, followed by North Lebanon, then the Beka', while south Lebanon has no active cooperatives.

"If the Kadaa', which is a smaller administrative unit, is used to measure the concentration of cooperatives, we find that the Kadaa' of Betroun, which is in North Lebanon, has the highest concentration of cooperatives. However, by using the Mohafaza (Region) we find that Mount Lebanon has the highest number of cooperatives."⁴

⁴ Ibid., p. 32.

Years of Registration of Active Cooperatives

The dates of registration of active cooperatives show that after Abadiyah cooperative was formed 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 a grant of free fertilizer through a cooperative, only 5 were still active at the beginning of 1961.⁵ 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.

TABLE 3

YEARS OF REGISTRATION OF ACTIVE COOPERATIVES ^a

Years of Registration	Number of Active
1937	1
1938	0
1954	2
1955	3
1956	2
1957	3
1958	0
1959	0
1960	0
1961	0
1962	2

^a Haj, op. cit., p. 30, and Cooperative Section of the Ministry of Agriculture.

⁵ Ibid., p. 33

The eleven active societies can be classified according to the service performed which provides the largest revenues as follows:

TABLE 4
FUNCTION OF LARGEST REVENUE AND
OTHER SERVICES PERFORMED ^a

Major Function	Number of Cooperatives	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	-

^a Haj, op. cit., p. 29, and Cooperatives Section of the Ministry of Agriculture.

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 producer goods for their members, and one of them, along with the purchase of fertilizer, insecticides and fungicides, carried on spraying of these chemicals on the fruit trees of the members."⁶

⁶ Ibid., p. 30.

Number of Members in the Registered Cooperatives

The exact figure for the total number of members in each of the registered cooperatives was not available at the Cooperatives Section. The number of members at the time of registration was also not available. But an estimation can be made. Since most, if not all, cooperatives start with a membership of ten to fifteen members, and if the number of registered cooperatives is 130, it means that the total membership at the time of registration was between 1300 and 1950. The figure is very small compared to the total number of farmers in Lebanon, which is estimated at 300,000. Yet this fact is accentuated when we know that the number of members in the "active" cooperatives was 671 in 1960. The number of members is either increasing slowly or is not increasing at all in most of these cooperatives. This will be seen later in this report.

Volume of Business

"The total money volume of business done by these cooperatives was estimated at LL 496,938 in 1960."⁷ The volume of marketing constituted the highest percentage of the volume of business; it formed 77.19 per cent or about LL 383,750. Purchasing and extending loans for members constituted 16.63 per cent and 6.02 per cent respectively. The absolute amounts corresponding were LL 82,660 and LL 29,906.

⁷ Ibid., p. 38.

Members Equity

The members equity in the cooperatives consisted of share capital and reserves. Reserves came originally from government grants to cooperatives. "The total at the end of 1960 was LL 75,535 of which LL 13,200 was share capital and LL 63,195 was reserves."⁸

⁸ Ibid., p. 56.

CHAPTER III

A STUDY OF SOME COOPERATIVES

Procedure

In order to obtain information about the cooperatives visited, their organizations, activities and functions, efficiency of performance, difficulties met in management and otherwise, achievement, weaknesses and deficiencies, purposes in mind but not achieved etc., a questionnaire was prepared, a copy of which is included in the appendix. To get an idea about members' understanding, knowledge about cooperatives and attitudes, another questionnaire was prepared a copy of which is also included in the appendix.

A list of the registered cooperatives in Lebanon was obtained from the Cooperatives Section in the Ministry of Agriculture. The Officials in the Cooperative Section indicated the cooperatives they believed were functioning. These did not exceed twelve in number. Out of those indicated as functioning, six were selected so that the different regions of Lebanon could be represented by one or more cooperatives. The selected cooperatives were in Mount Lebanon, North Lebanon and Beka'

Although out of the indicated twelve cooperatives seven

were in Mount Lebanon, only three cooperatives in Mount Lebanon were visited. Abadiyah Cooperative, which is the most active cooperative in Mount Lebanon and in all Lebanon, was one of these. The other two cooperatives from Mount Lebanon were selected because it was easier to reach them.

The two cooperatives which were visited in Beka' were the only cooperatives indicated to be functioning in that region. The inactive cooperatives were selected to be in villages to which transportation was easy and often available. Six such cooperatives were visited.

Kornayel cooperative was visited because it was known that it discontinued its services after a big failure in business.

The list of registered cooperatives obtained from the Department of Agricultural Economics and Cooperatives showed the name of the chairman of every cooperative. Upon arrival at the village, the writer had to ask for the chairman's house. Only a few were found at home. In some cases arrangements were made in Beirut to meet the chairman on a specific date in the village. In other cases, when the chairman was not found, the manager or a member of the board of directors gave the information.

The information was collected during July, 1962 and part of August. During the interview, which usually used to take from 120-150 minutes, the interviewed person answered the questions while the author filled the questionnaire. In some cases only part, or even no information was obtained because

of the lack of data and records.

The second part of the study was to interview some members of the cooperatives. When a random sample was taken from the list of members of Abadiyah Cooperative, it seemed impractical to interview these particular individuals because the farmer members were busy in their fields all day and never returned to their houses before sunset. The fields were away from the village so that it was impossible to reach the randomly selected members. The same experience was met with at other cooperatives with the exception of Jibrael Cooperative where it was possible to interview the randomly selected members. In Jibrael, the author, accompanied by the son of the chairman, went to members' houses or met them in the street or in the village café.

The members of Abadiyah Cooperative and Kab-Elías Cooperative were met at the cooperative's center where the author stayed waiting to see members passing by. Members used to come to the cooperative's center either bringing their products for marketing, or to get the sales proceeds of their products. However, for both such purposes, some members used to send their sons with the result that the author had to wait more to interview members. Most of the members of Housh-El-Omera Cooperative and Ain-Zhalta Cooperative were met in their homes. The total number of members interviewed in all the visited cooperatives was 58.

The information collected about each cooperative concerning its organization or operation and activities etc. was used for judging the cooperative, and formed a basis of comparison among

the cooperatives themselves.

BASIC INFORMATION

Years of Registration and Number of Members

The studied cooperatives, with the exception of Abadiyah Cooperative, are of recent origin. The years of registration of the functionless or inactive cooperatives were 1956 and 1957.

TABLE 5

YEARS OF REGISTRATION OF VISITED FUNCTIONING COOPERATIVES

Name of Cooperative	Year of Registration
Abadiyah	1937
Kab-Elias	1954
Jibrael	1954
Ain-Zhalta	1956
Housh-El-Omera	1956
Suk-El-Gharb	1957

As is clear from the table, three cooperatives were formed in the years 1956-1957 during which the fertilizer was distributed.

Most of the cooperatives started with a membership of ten because this is the minimum required by law. The membership grew but to a different extent in different cooperatives as indicated in Table 6.

TABLE 6

CHANGE IN NUMBER OF MEMBERS FROM
YEAR OF REGISTRATION THROUGH 1962

Cooperative	1937	1954	1955	1956	1957	1958	1959	1960	1961	1962
Abadiyah	10	185	189	202	225	250	256	256	253	253
Kab-Elias	- ^a	11	x ^b	x	x	x	30	30	50	60
Jibrael	-	10	x	x	x	24	24	27	31	31
Ain-Zhalta	-	-	-	13	x	x	x	50	54	54
Housh El Omera	-	-	-	10	x	x	37	37	36	36
Suk el Gharb.	-	-	-	-	10	x	x	30	40	40

^a - Not existing at this time

^b x Figures not available

The increase in the number of members, with the exception of Abadiyah, is small in relation to the number of farmers in the village. The number of members in the cooperative must be related to the total number of farmers in the village to form a basis of comparison. This is done in Table 7.

TABLE 7

NUMBER OF MEMBERS, FARMERS AND NON-MEMBER PATRONS

Cooperative	Number of Members	Number of Farmers ^a	Non-members Patrons	Percent Member/Farmers
Abadiyah	253	400	15	63
Kab-Elias	60	600	150	10
Jibrael	31	120	20	25
Ain-Zhalta	54	180	25	30
Housh El Omera	36	500	0	7
Suk El Gharb	40	200	10	20

^a The number of farmers in the village was estimated by the people interviewed.

The number of non-member patrons can be considered as an indicator of the activity of the cooperative when the number of members compared to the number of farmers in the village is small. The number of non-member patrons in Abadiyah Cooperative is small, but the cooperative already has the highest percentage of members to farmers amongst all the cooperatives. About 65 per cent of the farmers in the village are already members in the cooperative.

* The percentage of members to farmers in the other cooperatives is small mainly because of the lack of attractiveness of the services of the cooperative and of political controversies in the village among different political groups while

the leaders of the cooperative are regarded as being part of one of the groups.

However, although Kab-Elias Cooperative has a small membership compared to the total number of farmers (10 per cent only), it has at the same time the highest number of non-member patrons. These farmers who are non-member patrons found in the cooperative a cheaper source of adequate credit and a better way of marketing. The number was 150 in 1962.

Some of the reasons why these non-member patrons do not join the cooperative and become permanent members are:

1. Some of the non-member patrons did not want to associate completely with the cooperative because they are of a different political group than that of the leaders of the cooperative. They think that if they become members, it will mean accepting the political leadership of the cooperative's leaders which they did not want to do. This reflects very much the lack of education about cooperation and cooperative principles. The reason why the other political group in the village is not forming its own cooperative may be because it is prohibited by law to have more than one cooperative in the same village for the same purpose or purposes.
2. Some of the non-member patrons are experiencing the cooperative and cooperative services before they take the full responsibility and obligations of becoming members. A cheaper source of credit, better marketing

of the products, and other services attract them. But they want to test for a period to see whether the services will continue satisfactory.

3. Some farmers were not finding any difference between being member patrons or non-member patrons since they were charged the same rate of interest for the loans they got and met the same treatment in marketing their products. But to attract them more the cooperative was planning to differentiate in treatment between member-patrons and non-member patrons as to the amount of credit to be given and the interest rate to be charged.
4. Competition from merchants in the village with the cooperative makes some non-member patrons go back to the merchant whenever they can get the same treatment for the credit they get from them. The fact that farmers need consumption credit before the harvest of their products encourages them very much to go to the merchants who usually are ready to supply consumption credit while the cooperative is not.

The number of non-member patrons is certainly an indicator of the activity of the cooperative, especially when the number of members compared to the number of farmers in the village is small.

Membership is open, at least theoretically. In some cooperatives, farmers are not accepted as members because the original members, or the founder-members, do not want to share

the capital accumulated from the sale of the fertilizer and government grants with additional members. If more members are to be accepted, then they would have to share in the capital formed from government fertilizer and grants. The Housh El Omera Cooperative is a good example of this practice.

Two requirements to allow farmers into membership in the cooperative are residence in the village and being known to the board of directors to be of good character. The ownership of land or the renting of land for at least five years, is a requirement for membership in some cooperatives. Tenants who rent a piece of land for only one year are not accepted as members because it is never assured that they are going to become permanent members. Members were met who are themselves not farming their land but leasing it to a tenant. They get cheap supplies from the cooperative and give them to their tenants so that they take a higher rent.

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 accordance with the authority and responsibilities delegated to them by the board of directors. Directors are given the authority by the membership to operate within the limits set forth by the by-laws.

The members' investment should be protected by the directors,

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

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 Lebanese model by-laws 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."¹

According to that set of model by-laws the responsibilities read as follows:

1. To comply with the cooperative law in all activities.
2. To keep correct accounts of all the association's transactions.
3. To acquire and hold all necessary records and keep them accurate and current.
4. To have account audited.
5. To prepare the budget for study by the Control Committee and then present it to the general assembly

¹ Ibid., p. 57.

at the annual meeting.

6. To cooperate with the auditor and facilitate his work.
7. To study the report of the auditor and the Cooperatives Section.
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 a central cooperative 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.

Members with good characteristics such as leadership, wisdom, ambition, experience, knowledge and education qualify better for membership on the board of directors than others. While this is true theoretically, in the case of some cooperatives, directors are elected without consideration of the characteristics which are important for success.

Size of the Board and Term of Office

The minimum number of directors as stated by the law is three. The number of directors in the interviewed cooperatives ranged from 4 to 11. The large number of directors compared to the small membership in some cooperatives is explained by the fact that some people considered the job as status achievement. In order to satisfy them, a large number of directors was to be elected. In some cases, each family was to be represented in the board of directors.

Directors are elected for three years in all of the interviewed cooperatives. The three year period is popular because members do not wish to go to the trouble of election frequently. that is, trouble in the sense that election might create feuds between the members which they would like to avoid.

Legally, directors can be re-elected as long as the general assembly wants them on the board. Directors usually continue to serve more than one term of office.

The frequency of meetings was an average of twice a month in three cooperatives, once a month in two, and only 3-4 times

TABLE 8

NUMBER OF MEMBERS AND DIRECTORS, TERM OF OFFICE
AND FREQUENCY OF MEETINGS OF DIRECTORS

Cooperative	Members	Directors	Term of Office	Frequency of Meetings Per Year
Abadiyah	253	6	3	24
Kab-Elias	60	11	3	20-24
Jibrael	31	4	3	12
Ain-Zhalta	54	7	3	20-24
Housh El Omera	36	5	3	3-4
Suk El Gharb	40	9	3	12

one cooperative, mainly because of little activity of the cooperative.

Nomination and Election Procedures

The nomination is supposed to be by all members in the general assembly. But in some cases it was complained that influential people direct the voting of members. Due to the fact that the number of members in most of the cooperatives is small, only one list of nominees is prepared. The number of members nominated does not exceed the number required for directors. This can hardly be called an election procedure. Whether this is so might be because they cannot find enough

people who like to hold responsibility and decision making job.

Responsibilities of Directors

The board of directors decide on the general policies to be followed by the association. In the case of marketing co-operatives, the directors decide on how and where the commodities should be marketed, and how much the association should deduct from the total returns 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. When the goods are bought on credit, the board, some members of the board, or the chairman alone, sign the promisory note to the agricultural supply company.

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.

Cooperative Leadership

Interested and sincere leadership is a very essential element in the success of any cooperative. The interest which the leader takes in farmers' problems, and the struggle he makes in solving them cooperatively attracts farmers' support and hence leads to the development of the cooperative. In such case, the leader is supposed to know more about the cooperative

way of solving farmers' problems than most of the farmers. The cooperative "know how" of the local leadership, regardless of whether it is already acquired or is in the process of development through an educational and training program, is as important, or more important than the mere fact of being interested in solving farmers' problems.

The leaders of the studied cooperatives have different professions and occupations. The chairman of the Abadiyah Cooperative is the Director General of the Ministry of Agriculture. Being from the village and interested in the farmers' problems, he started the cooperative and took the responsibility of educating members and of training directors in the cooperative business. The leadership, no doubt, contributed very much to the development of the cooperative as an effective service for the village. The development of Abadiyah Cooperative is a very good demonstration of the effect of interested leadership.

The leader of Kab-Elias Cooperative is a landlord and a lawyer and his tenants are members in the cooperative. He started the cooperative and took the responsibility of sustaining it as a functioning cooperative. Had the leader been not a landlord, the cooperative would have like many other cooperatives, found unsolvable difficulty in getting credit for the members. The chairman is the means through which the cooperative is getting supplies on credit from companies in Beirut. His signature on a promisory note is enough security for agricultural supply companies. He can order any amount of supplies he wants. He also takes the responsibility of

training the directors.

The leader of Housh El Omera Cooperative is a landlord, also, and tenants of his are members in the cooperative. His leadership is certainly a liability to the cooperative. He joined the cooperative to show some of the members that he is interested in what they do. A few of the members who are known to be good farmers are tenants who rent his land, and they are some of those who started the cooperative. He joined the cooperative because he wanted to keep these good tenants. He is a merchant at the same time, and whenever these tenants need credit he gives it to them and charges them as high rate of interest as 1.5 - 2 per cent per month. Still, he is the leader of the cooperative.

The chairman of the Ain-Zhalta Cooperative and the Jibrael Cooperative are both ordinary local leaders and farmers, while the chairman of Suk El Gharb Cooperative is a priest. The church in Suk El Gharb has an apple orchard. The problem of marketing led to the formation of the cooperative with some farmers in the village as members in addition to the church.

Cooperative Staff and Management

Not all the visited cooperatives have an employed manager because their small volume of business and seasonal operation make it too expensive to hire and retain a permanent manager. Usually, one of the directors is delegated by the board to perform the work of manager. He receives no compensation for doing this job.

Only two cooperatives, Abadiyah and Kab-Elias have permanently employed managers. The manager of Abadiyah Cooperative is receiving a humble salary of only LL 100 per month. The manager, being from the village, is interested in the cooperative and in contributing something to his community. This made him offer his services to the cooperative at a low price. He is a capable and sincere person who served on the board of directors for two terms before he became manager. He had been a member of the association for a long time and knows his cooperative very well. Relatively speaking, he is a competent manager who is very much liked and respected by members of the cooperative. At the same time he is a carpenter who also is a farmer.

The manager of Kab-Elias Cooperative is paid LL 300 per month. Before he became manager, he was a merchant in the village. This gave him some experience in dealing with farmers and helped him in managing the business of the cooperative. The volume of business of Kab-Elias justifies the hiring of a permanent manager. However, the manager is the only employee. He is kept busy, especially during the marketing season. He receives the products from patrons at the cooperative store, weighs them, records the weights, arranges for transportation to Beirut, sells at the cooperative's center to merchants who go there to buy directly, and calculates the net returns to members after deducting transportation cost and the cooperative's commission. He also takes the responsibility of giving supplies to patrons from the cooperative's store. He also keeps some

accounts and records of the business.

In the other cooperatives where the business is carried on by voluntary service, the directors have to devote much of their time to handling the affairs of the association. While they feel that they are not obliged to do so, it is true that sooner or later they have to give up the voluntary work because they are farmers themselves and need to devote their time to their personal business. The fact that they do not receive any reward or compensation may discourage them, especially when they have to pay transportation expenses and other necessary expenses when they come to Beirut on cooperative business. The director, or directors, who assembles orders for agricultural items needed by members, comes to Beirut to find a dealer who is ready to advance supplies on credit and at the same time at better terms than other dealers. He visits wholesalers to bargain for marketing the products of the members. Thus, he is spending his time and money and is receiving no reward but the respect of his friends who are members.

For such small cooperatives where the business is seasonal and of small volume, and where the membership is small, the voluntary type of management seems the most practical, since no manager could be supported by such a limited volume of business. If the members of the board complain that the cooperative is taking too much of their time, then they must be compensated for the time they devote to do the job of managing the business.

The other alternative which might be followed by the small cooperatives, while their membership is increasing, could be to join with other neighboring cooperatives to form a federation that could afford to hire a manager and a capable staff to assist him in running the business to serve the members. In each village an agent paid on commission, could furnish needed services under the supervision of the manager. Such a federation was formed in North Lebanon in 1962, where seven small size cooperatives in the Akkar region formed a federation. The fact that the federation itself is taking all the responsibility in directly contracting with farmers rather than through the cooperatives of which they are members is apparently rendering those cooperatives functionless other than granting loans of money and leading the newly developed federation to function as a centralized cooperative rather than as a federation. The federation is making contracts with farmers to advance supplies on credit and market the milk, eggs and broilers produced therewith. The local cooperatives continue to make loans to their members for other purposes.

Only Abadiyah Cooperatives has other employees in addition to the manager. These are employed on a seasonal basis during the marketing season for fruits and vegetables. A clerk, 3 laborers to help in loading, unloading and weighing at the cooperative's store and a representative in the Beirut produce market are hired for about 4-5 months per year.

Speculation was the main reason behind the failure of the Kornayel Cooperative and the retardation of Ain-Zhalta

Cooperative. The management personnel in both cooperatives got over ambitious and wanted to replace the middleman completely. In 1957-58, the Kornayel Cooperative exported apples to France directly. The shipments rotted on the way and were rejected by the French market buyers. This caused the complete failure of the cooperative. Ain-Zhalta Cooperative passed through a similar experience when they exported their products directly to Egypt and the products were sold at very low prices which resulted in the cooperative giving up marketing the products of its members.

Kornayel Cooperative was formed in 1955 for the main purpose of marketing members' products. The cooperative supplied credit also. It gained much popularity among farmers in Kornayel and the seven or eight neighboring villages so that the number of members in 1957 was 280 and the number of non-member patrons was estimated at between 1500-1800 in that year. The total quantity of apples received by the cooperative from patrons in that year was 22,000 boxes.

The cooperative had a board of directors in which each village was represented by two people. The cooperative had a manager who, unfortunately, was very ambitious and tried new marketing practices.

The chairman of the cooperative claimed that the grading machine was the reason behind the rotting of their apples. The machine, he said, was a potato grading machine and it was very harsh for apples. However, regardless of the kind of grading machine used, the apples had been in storage for five

months before they were graded so there was no assurance that the apples were in "perfect" condition when taken out of storage. Furthermore, the storage may not have provided the right conditions for proper keeping of the apples during the whole period. The other thing is that the fruit was shipped in a non-refrigerated ship. Apples coming from different villages of different altitudes were not of the same keeping quality.

The main reason for the failure was overambition and bad management. The taking of a very big risk is the reason behind failure. Professional exporters take risks because they know their business. They know when and how to grade and pack fruit for export and that apples must be shipped to Europe under refrigeration. They know market conditions and demand. They know the important business techniques which the cooperative lacks at the beginning of exporting fruit.

The problem of the cooperative failure was accentuated by the dishonesty of the chairman and other members of the board of directors. The government was generous enough to compensate the cooperative by an amount equal to LL 170,000, in the hope that the amount would be distributed to the patrons. Nothing was given to any ordinary member while the chairman with other members of the board took the whole amount. The chairman claimed that he mortgaged his building to get a loan for the cooperative of about LL 60,000. This can in no way be a justification for him to get the lion's share from the LL 170,000.

It was a fault that the government gave the amount to the chairman and forgot completely about supervision and direction

of the distribution of the money to all those who suffered loss from the shipments.

The shock from bad management and the one from dishonesty paralyzed the cooperative completely. Unfortunately, the dishonest directors found support from their relatives in the cooperative. Members who were met at the village said that they will never think of joining the cooperative again until everybody gets his rights and a new leadership is developed.

Cooperatives and their Operation

The control of the cooperative in a democratic way, the financing of the cooperative as a business institution, and the kind of services the cooperative renders for its members are all important for successful operation.

Democratic Control 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 meeting. Democratic control by member-patrons, as distinct from control by stock holders, is essentially a way to keep the operation of organization at all times in the hands of the member-patrons and to have the organization oriented continually to serve its patron-owners. In general 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 no close relationship between member attendance of general meetings and the successful operation of the cooperative's business. But there is a relationship between member participation in the affairs of their cooperative in these meetings and the successful operation of the cooperative's business.

TABLE 9

NUMBER OF MEMBERS AND GENERAL MEETINGS AND
PERCENTAGE OF MEMBERS WHO ATTEND

Cooperative	Number of Members	Number of Meetings	Number of Attendants	Per cent Attendance
Abadiah	253	2	70	28
Kab-Elias	60	2	30	50
Jibrael	31	2	20	65
Ain-Zhalta	54	1	40	74
Housh El Omera	36	1	25	70
Suk El Gharb	40	1	25	63

The explanation of low attendance on the basis that members trust the leaders or directors cannot be accepted since it is a part of the responsibilities of members to attend the general meetings to participate in determining the general policies of the cooperative. It was told that members in

Abadian Cooperative usually discuss the business of the cooperative in the general meeting although to a limited extent.

A very small number of all cooperative members study the annual report before the election of directors to know how well they have managed the affairs of the society. Beside the fact that only a small number of members study the annual report, in most cases that report is either not prepared or is not presented in the general meeting. This is the case especially in the cooperatives not rendering many services for their members. Members, when curious, form their knowledge about the work of the cooperative from what the officers, manager and directors tell them.

The election sessions are more popular than normal sessions and attendance is greater.

Members do not suggest plans or make operating decisions. These are usually left to the board of directors. The topics for discussion at members meetings are suggested mostly by the board of directors. The board of directors does most of the decision making on the majority of matters because of lack of interest and education on the part of the members.

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. Members have yielded a great deal of their authority and responsibilities to the directors, either because they do not know their responsibilities, as is most often the case, or because those who have been elected to the

board are usually the influential, educated persons and the members trust and have confidence in their judgement. They are the people accustomed to decision making.

Financing the Cooperative

Cooperatives, like any other kind of business, need capital resources in order to carry on the work for which it was founded. Cooperatives need both fixed assets as well as working or operating 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.

Only Abadiyah Cooperative has acquired a kind of fixed capital in the form of a truck for transportation of products and supplies. Other Cooperatives have not acquired any fixed assets.

The operating capital is brought into the cooperatives in money forms such as entrance fees, annual fees, shares, authorized deductions from sale proceeds, reserves, undivided net savings, and deposits by members.

The cooperative law provides that every member should own a minimum of one share of capital 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. The price per share ranged from LL 5 to LL 10 in different cooperatives, as shown in Table 10. All the cooperatives sold

shares to their members only once when the cooperative was started. No arrangements were made to encourage members to buy more shares when they had enough money.

TABLE 10

PRICE OF SHARES CAPITAL, ENTRANCE FEE AND
ANNUAL FEE CHARGED BY COOPERATIVES

Cooperative	Price of Share	Entrance Fee	Annual Fee
	LL	LL	LL
Abadiah	5	5	1
Kab Elias	5	3	3
Jibrael	10	2	6
Ain Zhalta	10	5	6
Housh El Omera	10	200	3
Suk El Gharb	10	5	10

The entrance fee charged by the different cooperative associations varied between LL 2 and LL 5 per member, with the exception of Housh El Omera Cooperative where the entrance fee was the high amount of LL 200. This, it is thought by the responsible people, can increase the capital of the cooperative if applicants are ready to pay upon admission to the cooperative. The board of directors is not ready to take the responsibility of getting supplies on credit from agricultural

supplies companies and the cooperative is in great need for capital. However, since the farmers are poor, even when the price of a share is small and the entrance fee is much less than LL 200, it cannot be expected that they can collect from such sources enough capital for their operations. This led to the cooperatives not growing in membership when there was no access to borrowing from financial institutions or securing agricultural supplies from companies on credit.

The number of shares held per member was only one share in Abadiyah and Kab-Elias, but is ranged between 3 and 10 in Jibrael, Ain Zhalta and Suk El Gharb Cooperatives. In the Housh El Omera Cooperative the number of shares held per member varied between 3 and 30. The founder members had 30 shares each.

The other sources of capital in the cooperatives were savings by authorized deductions, reserves, and government grants.

The entrance fees and annual fees that the cooperatives collect are used by the majority of them to meet current expenses. The deductions made to meet the expenses usually are not large enough and the cooperative has to make up the balance from its other sources of revenues. In some cases the capital from these sources may be used to make loans to members.

Only Abadiyah Cooperative has a saving program for its members. They developed a revolving fund method for financing their operations, especially their credit department, without having to borrow from outside financial institutions. Five per

cent of the gross value of member's sales is deducted from the settlement for products marketed. At the end of the year, the member will be paid his first year's investment in the revolving fund plus three per cent interest. By this method the cooperative has accumulated enough capital for meeting the needs of the members for seasonal production credit without having to borrow. Up to 1962 the members' savings were about LL 12,000.

TABLE 11

TOTAL SHARE CAPITAL, ENTRANCE FEES AND ANNUAL FEES FOR EACH COOPERATIVE, 1962

Cooperative	Number of Shares	Share Capital	Entrance Fees	Annual Fees	Total
		LL	LL	LL	LL
Abadiyah	253	1265	1265	2070	4853
Kab Elias	60	300	180	630	1170
Jibrael	160	1600	62	909	2731
Ain Zhalta	370	3700	270	1440	5780
Housh El Omera	900	9000	1200	756	11856
Suk El Gharb	400	4000	200	2000	6600
Total		10865	3177	7805	32990

Cooperatives are supposed to distribute their net savings according to patronage. Part of these net savings usually go to reserves. However, only Abadiyah Cooperative and

Ain Zhalta Cooperative distributed their net savings to members according to their volume of business with the cooperative. In Ain Zhalta Cooperative, 6% of net savings goes to reserves. The other cooperatives have never distributed any patronage refunds although some, especially Kab Elias Cooperative, have a large amount of net savings. Even if a cooperative like Kab Elias decided to distribute its net savings, it cannot do this equitably since no records are kept of each member's volume of business, especially in marketing. The whole net savings were added to the cooperative's operating capital. This made the responsible people argue that since some of these net savings were in the form of outstanding loans, then it is impossible to distribute something which is not at hand. However, it was explained to them that it is not necessary to have all the amount at hand to distribute patronage refunds, and that it is better to credit the accounts of each member the full amount of his share from net savings when it is not available in cash to give to him. If the member is also in debt to the cooperative, his share of the net savings could be credited toward the debt he owes the cooperative. This would certainly encourage the members and allow the cooperative to remain true to cooperative principles. The lack of knowledge of basic principles of cooperatives and how to apply them is a main factor in the generally slow progress of these cooperatives.

The total amount of accumulated net savings in Kab Elias Cooperative at the time of the study were about LL 10,000.

The exact figures for the other cooperatives were not available.

Some cooperatives formed the nucleus of their capital from the sale of the fertilizer which they received from the government. Instead of distributing the fertilizer to members, it was sold either to willing buyers among the members or to merchants. The sale proceeds formed the starting capital of the cooperative. Such was the case in Housh El Omera Cooperative.

The government annual grants were another source for the operating capital of the cooperatives. The government distributed annual grants to the cooperatives in the hope of helping them to develop and progress. The grants were used as part of the operating capital to give loans to members. The distribution of grants to six active cooperatives is shown in Table 12.

TABLE 12

ANNUAL GRANTS TO COOPERATIVES FROM 1957-1961

Cooperative	1957	1958	1960	1961	Total
	LL	LL	LL	LL	LL
Abadiyah	3,930	4,000	4,000	6,000	17,930
Kab Elias	1,000	750	500	1,500	3,750
Jibrael	2,500	3,000	1,750	2,000	9,250
Ain Zhalta	500	750	1,250	1,000	3,500
Housh El Omera	1,500	1,000	500	1,500	4,500
Suk El Gharb	750	250	1,000	500	2,500
Totals	10,180	9,750	9,000	12,500	41,430

Some cooperatives claimed that the government's grants are inequitably distributed, and that cooperatives that have influential people behind them get the highest amounts. There may have been no objective basis for distributing the government's grants in the past. But whether the basis was objective or not, the question arises as to why should the government give grants at all. The government could have helped in enabling cooperatives to have access to credit instead of distributing grants. The government decided in 1962 to stop giving any grants to cooperatives.

Services Performed

The main services performed by the cooperatives are marketing, credit, and purchasing supplies. Not all the cooperatives do the same number of services for their members and non-member patrons. Other services included spraying, threshing and wine distillation. Threshing and wine distillation were done by Jibrael Cooperative only.

Abadiah Cooperative started a cooperative store for consumer goods some years ago, but gave up this two or three years later mainly because it was noticed that there were enough merchants in the village so that competition among them kept prices of consumer goods normal. Another reason was that some members purchased goods on credit and did not repay their loans on the due date. These reasons led them to discontinue this service. This, no doubt made the cooperative avoid the enmity of few persons or merchants at the village.

Abadiyah Cooperative was the only cooperative to carry on social services in addition to the business services. The cooperative opened a center where a tailor used to teach interested daughters of members sewing and dress making. By this it proved that a cooperative is an institution for community development and not only a business institution.

A. Credit

Credit, especially production credit is one of the essential things needed by farmers. The cooperatives depended mainly on agricultural supply companies to supply them with fertilizer, insecticides etc. on credit. The rate of interest charged by the companies ranged from 10-15 per cent of their selling price, which has already included a normal or even abnormal profit. The cooperatives were not going to the Credit Bank for Agriculture, Industry and Real Estate (BCAIF) of which the Lebanese government holds 40 per cent of the shares, because of the requirement of land mortgage as security. The rate of interest usually charged cooperatives by the bank is 5 per cent, but the directors of the cooperatives were not ready to mortgage their land to get the advantage of a low interest rate on loans.

All the loans made by the cooperatives were seasonal. No medium or long term credit was provided by any cooperative. Only Abadiyah Cooperative and Suk El Gharb Cooperative have enough capital of their own to supply their

members with short term credit. The other cooperatives resorted to borrowing from agricultural supply companies by postponing payment for fertilizer, etc., until harvest time.

At Abadiah Cooperative, the board of directors receive the applications for loans from members. Only members which have participated in the revolving fund plan are advanced credit at 4 per cent interest. Applicants can get up to 35 per cent of the normal gross value of their sales through the cooperative, and this may be increased for members who have a good record of repayment of their loans. The borrowing member is required to sign a note in which he acknowledges that he received the loaned money and promises to use the loan for the purpose mentioned in his application and to sell all his produce through the cooperative. This note serves as a marketing contract at the same time and thus assures business for the cooperative.

Mostly, credit is advanced in kind. The cooperative purchases the supplies and brings them to the cooperative's store in the village. Borrowing members can receive their loans in kind from the cooperative's store. This not only allows the members to get cheaper supplies than if they would have to buy themselves but also it assures the use of loans in a productive way. Members can also get credit in cash when they need it.

The figures on the numbers of loans issued per year, and the total amounts loaned show that both of these were

increasing from 1958 until 1962, the period regarding which information was asked. However, the average loan ranged between LL 175 and LL 185 and it did not show a continuous rising trend. The fact that most members have small holdings does not necessitate the need for large amounts of credit or supplies. The chairman of the cooperative gets the supplies on credit from supply companies in Beirut at 12 per cent rate of interest. He gives the company a promissory note without any other member of the board of directors being responsible with him at the same time. Patrons get credit on 14 per cent rate of interest. The fact that the chairman is taking the responsibility for this risk makes us wonder why does he not get the credit needed from BCAIF at a 5 per cent rate of interest, since he is ready to take the responsibility alone. By this he could have saved the patrons the big difference between 5 per cent and 12 per cent. It can not be more risky to mortgage land than to give a binding promissory note to a company.

TABLE 13

AMOUNT OF LOANS, NUMBER OF LOANS AND DELINQUENT
LOANS OF ABADIAH COOPERATIVE FROM 1958-1961

	1958	1959	1960	1961	1962
Amount of loans	10,500	12,000	12,600	13,000	13,200
Number of loans	60	65	70	73	74
Average loan	175	185	180	178	178
Delinquent loans ^a	11	15	14	15	NA ^b

^a Not completely delinquent

^b NA Not available at time of writing.

Although there were some loans which were not repaid completely, the repayment record is good. There were no completely delinquent loans, and the total outstanding receivable loans at the time of the study was around LL 800-900 only.

The loans are also advanced in kind at Kab Elias Co-operative. Members and non-member patrons can take as much as they want. A promissory note is required from each borrowing patron.

TABLE 14

AMOUNT OF LOANS, NUMBER OF LOANS AND DELINQUENT
LOANS OF KAB ELIAS COOPERATIVE FROM 1958-1961

	1958	1959	1960	1961
Amount of loans	29,535	49,795	51,096	57,350
Number of loans	135	137	167	185
Average loan	219	364	306	310
Delinquent loans	8	11	31	22
Amount of delinquent loans	2,900	2,275	1,500	10,900

The amount of loans almost doubled between 1958 and 1961 as reported in Table 14. The increase was mainly due to an increase in the number of borrowers rather than an increase in the average loan which also increased from LL 219 in 1959 to LL 210 in 1961. The number of members in the cooperative is only 60, which means that most of the burrowers were non-member patrons who found in the cooperative cheaper and large amount of credit for production purposes.

It is interesting to note that 50 per cent of the loans were below LL 100, 66 per cent were below LL 200 and 90 per cent were below LL 500. The maximum loan was LL 2,000 and the minimum was LL 30, which means that both relatively small farmers and big farmers have access to credit from the cooperative. The quantities of fertilizer given on

credit were 233, 239 and 287 tons for the years 1959, 1960 and 1961 respectively.

The outstanding receivable loans at the time of the study were LL 19,279. This is a large amount for a small cooperative. The main reasons for delinquency, as explained by the interviewed people were:

1. Natural hazards and poor crops.
2. Negligence of some borrowers.
3. Low return from marketing.

There were some completely delinquent loans beside the partially delinquent loans. The policy which was followed by the cooperative in giving borrowers as much as they wanted was a reason which led to delinquent loans. The board of directors decided to collect all outstanding loans in the 1962 marketing season. One fourth is to be collected during the first month, one half in the second month and one fourth to be collected during the third month. This may seem practical for collecting partially delinquent loans, but it may not prove to be practical for collecting completely delinquent loans all in one season, especially when those loans are large. The continuity in giving credit to members with delinquent loans as is done in Kab Elias with some members is necessary to enable these members to repay by growing additional crops.

Ain-Zhalta Cooperative obtains credit from agricultural supply companies at 12 per cent annual interest. All the members of the board of directors usually sign the

promissory note given the company. The directors ask the members to report on the amount needed of each kind of supply, and the total of these amounts is then taken from the supply company to be distributed among members. Borrowing members are required to sign a promissory note and to pay 15 per cent interest thereon.

The figures on the amounts of loans and number of loans were obtained for 1961, but the figures for previous years were not available. In 1961 the amount of loans was LL 22,000 for 52 out of a total of 54 members in the cooperative. The average loan for that year was LL 423.

The Ain Zhalta cooperative had a bad experience when it borrowed and gave loans to members in cash rather than in kind. The members used the loans for unproductive purposes and there was a large number of delinquencies. This experience convinced the responsible people of the great risk involved in giving loans in cash. The 1962 the board of directors was trying to get loans from BCAIF and they were ready to mortgage their lands for that purpose.

Most of the operating capital of Jibrael Cooperative is in the form of outstanding receivable loans. There was about LL 8,200 uncollected in 1962. This reduced very much the activity of the cooperative in the field of credit because of shortage of loan funds.

The capital of the cooperative which came from shares capital, government grants, etc., was loaned to members and a large proportion of this was not repaid. Whenever the

cooperative received a grant from the government it used it to extend loans to members and this increased more and more the outstanding receivable loans.

In 1958 there were 20 members in debt to the cooperative. Many members could not, or did not, repay mainly because of 1958 political disturbances in Lebanon. That disturbance affected many other cooperatives also. These cooperatives could not penalize delinquent members. The situation for the Jibrael Cooperative did not change in 1959 and no loans were repaid. This was also attributed to the low rainfall and low yields in that year. The problem was accentuated by the fact that members went to borrow from merchants when they could not borrow from the cooperative, and this made them give priority to the merchants when they repaid their loans in 1960. As the cooperative was receiving more grants from the government and extending more loans, the members' debt was also increasing. The fact that outstanding receivable loans did not drop in 1961 and 1962 proves that the negligence of borrowing members is a main reason in perpetuating the outstanding receivable loans of the cooperative. When the members were asked why they did not repay their delinquent loans, every one said he will repay when everybody else repays. This proves a negative attitude toward cooperatives.

Credit worthy members of Jibrael Cooperative at present are taking credit in kind from the newly developed Union of Akkar Cooperatives. The Union includes seven small

cooperatives. None of the other six was active before the Union was formed in 1962. The Union has as its main purpose the supplying of credit and the marketing of members' products. However, the Union is dealing with the member-farmers directly without going through their local cooperative.

The amount of credit of Housh El Omera Cooperative is limited to the amount of capital which came originally from the price of the fertilizer which they got from the government, plus the government grants since the formation of the cooperative. These in total amounted to LL 12,000, which is used every year for either buying seeds or fertilizer which is distributed equally among the 36 members of the cooperative. However, since the cooperative is not getting credit from any other source, and the amount of credit extended by the cooperative is small, members borrow from merchants, moneylenders, or their landlords when they are tenants. The members who borrow from the cooperative are required to pay 5 per cent interest in order to help in building up the capital of the cooperative.

The secretary told the writer that some members suggested the use of the cooperative's capital for commercial purposes since it was not enough for loaning to members. They suggested that the capital be used in starting a retail business for consumer goods in the village to make profit. This reflects the lack of knowledge of cooperatives and shows the mistakes which the government made when it stimulated

farmers to form cooperatives in order to obtain free fertilizer but did not teach them about cooperatives and left them to interpret cooperatives in the way they like.

Suk El Gharb Cooperative is getting credit from both agricultural supply companies and cold storage operators, when the apples are stored for a time before they are sold. The cold storage operators encourage farmers to store their products with them by giving credit. They thus make profit in two ways.

The members are not in great need for credit, since most of them do not depend completely on farming as a source of income. Only when the capital of the cooperative is not enough to satisfy the needs of members, does the cooperative borrow from outside. The exact figures on amounts of loans for the period 1958-1961 were not available and the only information collected was that 10-15 members get credit yearly from the cooperative with an average loan of LL 400-500. The repayment record was reported to be good and the cooperative did not experience any delinquent debts.

In all the cooperatives there was no difference between credit and purchasing activities since the amounts of supplies that are taken by the cooperatives from supply companies on credit are delivered to the members on credit. Thus, the loans extended members are the same amounts as the supplies purchased for members.

The cooperative's prices were less than the local market prices after the addition of the transportation

cost, and even after the addition of 4 or 5 per cent interest which is usually charged by cooperatives. The difference in the price of one kilogram of fertilizer between the cooperative's price and the local market price ranged from 3-4 p.L. This does not mean that merchants at the village always allowed their prices to remain higher than those of the cooperative. Merchants started a cut throat price war against the cooperatives right from the beginning. They succeeded partly in some cases and attracted some members who withdrew from the cooperatives. However, members and non-member patrons were reminded of their past experience with those merchants and thus were convinced that merchants cut their prices temporarily to destroy the cooperative.

The cooperatives which are providing credit regularly enable the farmers to get credit at better terms than they used to take from moneylenders and merchants. The small farmers do not have access to credit from the Credit Bank for Agriculture, Industry and Real Estate because they do not have much to offer as collateral either in the form of land or other property. Even when some of them are ready to mortgage their land they meet many difficulties, such as the amount of credit being not enough for production purposes, or the credit not coming at the time they need it and the expenses involved in the procedure such as registration fees, tax stamps and travel expenses being too great.

B. Marketing

Abadiyah, Kab Elias, Suk El Gharb and Ain Zhalta Cooperatives are doing cooperative marketing. However, only the first three cooperatives are actually handling the products for cooperative marketing. Ain Zhalta Cooperative is doing what can be called cooperative bargaining, where the cooperative represented by members of the board of directors, bargain with the merchants or wholesalers for the total produce of members. This may be done before harvest, so that when they agree with a certain merchant, the arrangements of harvest and delivery can be made between the member and the merchant directly. The main products of the cooperative are apples and peaches. The cooperative charges a 2 per cent commission on this service to the members. The members are expected to pass the commission to the cooperative, although the cooperative may not know the exact amount each member sold. No records are kept of the annual value of sales or quantities sold by members.

In case of Abadiyah Cooperative, the products are brought by the members to the store of the cooperative. The members usually grade their products according to the standards established by the cooperative before bringing them for marketing. The products are checked at the cooperative's store for proper grading, weighed, the weight recorded and each member's number is then stamped on the boxes. The products are transported to the central market in Beirut where they are auctioned. The products are not all auctioned at the same time, depending on the market's

demand. Some parts of a particular product may be auctioned early in the morning when they usually bring higher prices. This led to some members receiving better returns for the same quality of products because they are lucky enough that their products are auctioned first. The members' products may not appear first because by chance they were stacked under the products of other members when the boxes were placed in the commission agent's shop.

The commission agent takes 5 percent of the value of sales, and sends back to the cooperative a list of each member's sales and their values. These, in turn, are recorded in the member's account book to get a weekly total which members can collect. The cooperative charges 3 percent for its services, beside transportation cost at 1.25 p.L. per kilogram.

The striking thing is that even very small amounts are sold by members through the cooperative. Quantities of the magnitudes of 2, 3 or 5 kilograms of squash are brought by members to be marketed through the cooperative. The following is a translation of a weekly record of a member's sales in June, 1962.

Abadiah Cooperative Number of weeks

Name Month

Number

Date	Kind	Grade	Weight in kilograms	Price per kilogram	Value
June 18	Squash	1	5	30	150
	Cucumber	1	7	55	385
	Cucumber	2	3.5	30	105
	Gourd	1	1	85	85
June 20	Cucumber	1	15.5	50	775
	Gourd	1	2.5	90	225
June 22	Cucumber	1	18.5	40	740
	Cucumber	1	20	60	1200
	Squash	1	20	30	600
	Gourd	1	6	85	510
Total					4775
					= LL 47.75

The quantities sold are obviously small, and whenever members bring to the cooperative such small amounts that are not enough to fill a box, they are usually added to other members' products of the same quality to fill a container.

The other thing which can be noticed, is that the same quality product was sold on the same date for dif-

ferent prices. The price of one kilogram of cucumber was P.L. 40 for one lot and P.L. 60 for another. This may be attributed to the fact that not all the products are auctioned at the same time.

The quantities marketed through the cooperative were 637, 481 and 477 tons for the years 1959, 1960 and 1961, respectively. The decrease can be attributed to a decrease in production rather than a decrease in the number of patrons.

The development of the volume of business of Abadiyah cooperative recorded in Table 15 shows a great increase in the revenues from marketing during the second world war years. This was due mainly to a rise in prices because of the demand of Allied troops which were in the area in these years.

Kab Elias Cooperative is also marketing the products of both member and non-member patrons. The products are brought to the store of the cooperative in the village, where each member's number is stamped on his boxes and other containers of his products, so that each member's products are sold separately as in the case of Abadiyah. The products are not graded by members because members believe that the market does not value grading. The products are then transported to Beirut market where they are auctioned through a commission agent who charges a 5 per cent commission. What has been said about prices for Abadiyah Cooperative products apply also to the prices of Kab Elias

TABLE 15

DEVELOPMENT OF VOLUME OF BUSINESS OF
ABADIAH COOPERATIVE FROM 1937-1961

Year	Number of members	Total Volume of business	Marketing business	Purchasing business	Loans to members	Index of food prices ^a
		LL	LL	LL	LL	
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	183,960	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	181	80,198	63,124	11,131	5,943	626
1949	181	72,230	57,965	8,729	6,439	569
1950	202	93,388	88,566	0	4,822	509
1951	285	132,541	99,773	10,000	21,768	569
1952	185	96,064	71,700	10,000	14,364	586
1953	189	96,096	74,883	10,000	11,213	530
1954	202	77,801	69,090	0	8,711	493
1955	225	84,573	74,895	0	9,678	506

TABLE 15 (continued)

1956	250	120,650	113,500	0	7,150	556
1957	256	140,773	38,350	0	8,432	604
1958	256	151,630	141,130	0	10,500	629
1959	256	172,572	160,572	0	12,000	-
1960	253	164,350	151,758	0	12,000	-
1961	253	164,250	121,707	29,536	13,000	-

^a S. Al-Haj, "Farmer Cooperatives In Lebanon", (Unpublished Master's thesis, Agriculture School, A.U.B., 1961), p. 44.

Cooperative products.

Merchants from Beirut, Zahle and other cities in Lebanon usually come to buy some products directly from Kab Elias Co-operative. The cooperative is marketing different fruits and vegetables.

When the products are marketed in Beirut, the commission agent sends back a list of each member's sales and their values. The manager of the cooperative deducts the transportation cost and a 3 per cent commission. That is all done on the statement of account sent by the merchant. The list is then put in the compartment of the member, where he can find it and present to the manager to receive the net returns. No records are kept in the cooperative about the volume of sales.

Suk El Gharb Cooperative is marketing only apples which is the only product produced by members. The product usually is not marketed right after harvest but is stored for sometime to get

better prices. As other cooperatives, this cooperative does not pool the products of the members. It is possible, even though members deliver the same variety and quality for one member's products to sell for a higher price even when they are sold at the same time. In most cases, however, the products are all sold for the same price since they are of the same variety and are packed by members according to the standards they agree upon in the cooperative. The members are charged commission of 2 per cent.

The number of boxes sold through the cooperative was 11,000, 7,000, 5,000 and 4,250 for the years 1958, 1959, 1960 and 1961 respectively. The decline was mainly because merchants started paying higher prices and members were selling alone and on their own. The fact that most members are not in great need for loans from the cooperative weakens the bond between the members and the cooperative. Until they have another unsatisfactory experience with the merchants, it may be difficult for the cooperative to regain them.

Housh El Omera Cooperative is not marketing the products of its members because the volume of business is small so that if they want to charge a normal commission it will not be enough to cover the cost of marketing. Another difficulty is the lack of access to cheap and adequate credit.

Accounts and Records

These are of particular importance to cooperative associations. Their records must be clear on such matters as the amount each member has paid for membership fees, capital stock or other forms of investment. They must indicate how much each patron has sold through the cooperative, 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 origin or start. Managers and directors can not make wise decisions when they do not know whether the business is gaining or losing.

Accounts and records are either not kept at all or are kept in a disorderly, unorganized manner. Aside from the Abadiyah Cooperative, records were not kept of the volume of business of each member so that there exists no basis on which patronage refunds can be distributed. There were no standard books in which accounts were to be kept. In some cases, as loans were repaid, the "humble" records become lost and it is very difficult to know what are net savings or losses. Even though the cooperatives have a small volume of business, this does not mean that it is not necessary to keep accounts and records and in an organized manner. The problem is that the directors were

not trained to keep records and accounts of their co-operatives in standardized simple account books which fit the purpose and the small business of these cooperatives, nor to realize the importance of engaging some one to keep suitable records for the business and financial transactions of the society.

We do not expect auditing of accounts when the proper accounts are not kept. With the exception of Abadiyah Cooperative, no cooperative had any auditing by an outside auditor.

Article 82 in the Lebanese Law of Cooperatives reads, "Accounts of cooperatives must be audited at least once a year by auditors, these have the right to check the records of the society and they must do this in the presence of the comptroller committee. These auditors can at present be from the Department of Cooperatives employees until a central union for cooperatives is established which will appoint regular auditors." Unfortunately, nothing of this kind has been done since the establishment of the Cooperatives Section in 1954.

At the time this study was being made, an F.A.O. expert in cooperatives visited some of the Lebanese co-operatives. He said that none of the cooperatives he visited knew anything about a statement called a Balance Sheet, which means they did not know their actual assets and liabilities. This is unfortunate for a cooperative business.

The F.A.O. specialist made a profit and loss account statement for the Jibrael Cooperative from 1954 to 1961. He prepared a balance sheet for the cooperative for the end of 1961. When he visited Kab Elias Cooperative, he prepared a draft balance sheet only because of the difficulties of not finding the books and records necessary for auditing the accounts of the cooperative.

The profit and loss account of Jibrael Cooperative shows that the cooperative has net savings, although the amount is small. The balance sheets for both the cooperatives show that a good percentage of their assets is in the form of outstanding receivable loans.

TABLE 16

PROFIT AND LOSS ACCOUNT FOR JIBRAEL COOPERATIVE

1954 - DECEMBER 31, 1961

	Debit	Credit
	LL	LL
Interest	26.25	
Dividends	2702.00	
Entertainment expenditure	237.25	
Transport	186.50	
Court expenditure	43.25	
Stamps	33.75	
Subscription fees to Union	50.00	
Social purposes	20.00	
Printing	51.00	
Trees distributed to members	186.50	
Various	12.00	
Depreciation on machinery	228.00	
Interest received		1826.25
Subscriptions		9909.00
Spraying fees		13.50
Commission		206.75
Fees from use of thresher		1035.25
and distillery		367.75
Various		22.00
	3,786.50	4,380.50
Net savings	594.00	-
Totals	4,380.50	4,380.50

TABLE 17

BALANCE SHEET FOR JIBRAEL COOPERATIVE

AS AT DECEMBER 31, 1961

	Liabilities LL	Assets LL
Share capital	1,788.00	
Reserves:		
Grants	9,246.50	
Net savings for 1961	594.00	
Cash in hand		2,516.75
Loans receivable		8,197.25
Value of machinery		773.75
Value of furniture		140.75
Total	11,628.50	11,628.50

TABLE 18

A DRAFT BALANCE SHEET FOR KAB ELIAS COOPERATIVE
AS AT DECEMBER 31, 1961

	Liabilities LL	Assets LL
Share capital	245.00	
Bills payable - supply companies	23,347.50	
Reserves	12,259.60	
Cash in hand		14,144.90
Loans receivable		19,279.30
Furniture		150.00
Sprayers		150.00
Weighing machines		260.00
Fertilizer in store		1,867.80
Total	35,852.10	35,852.10

Members of the Cooperatives

A. Teyp and Scale of Farming

The main source of income for members of the visited cooperatives was crop cultivation. While members of Ain Zhalta Cooperative grow fruits only, members of Abadiyah, Kab Elias and Housh El Omera grow fruits and vegetables and members of Jibrael Cooperative grow cereals beside fruits and vegetables. Farm animals contributed very little or nothing to the members' incomes.

Due to the fact that the owner-operator type of tenure system prevails in Mount Lebanon, all interviewed members of Abadiyah Cooperative were found to be owners of their farms. The size of farms ranged from 3 dunums to 45 dunums and the average size farm was 12 dunums. However, since a larger area was put under vines rather than tree fruits, the area in fruit trees ranged between 1 dunum and 15 dunums and the average ownership was 5.35 dunums. The distribution of land ownership is shown in the following table.

TABLE 19

LAND OWNERSHIP DISTRIBUTION OF INTERVIEWED
MEMBERS OF ABADIAH COOPERATIVE

Size in Dunums	Number of Members	Percentage
2-6	8	40
7-11	4	20
12-16	5	25
17-21	1	5
40-44	2	10
Total	20	100

Small size seems to be a characteristic of land ownership in Mount Lebanon. The land ownership of the interviewed members of Ain-Zhalta Cooperative which also is in Mount Lebanon ranged between 3 and 10 dunums.

The situation is different in the Beka'. Most of the interviewed members of Kab Elias Cooperative were partly tenants. Out of the ten members who were interviewed, seven were part-owners. While the average ownership was 26 dunums in trees and 39 dunums in vegetables, the average area rented was 50 dunums. The minimum area rented was 15 dunums and the maximum was 130 dunums. Of the other 4 members, two were completely tenants and two

were completely owner operators.

The same situation was found in Housh El Omera Cooperative. But the difference between the average area owned and the average area rented was very great. While the average area owned was 12 dunums, the average area rented was 212 dunums. The presence of landlords with large areas owned enabled farmers to rent large areas. The area rented went as high as 350 dunums as reported by one of the members.

The average ownership of members of the Jibrael Cooperative, was 12.7 dunums in trees and 43 dunums in other crops, mainly corn and wheat. The average area owned per member was 55.7 dunums.

CHAPTER IV

EVALUATION OF THE COOPERATIVES STUDIED

The Inactive Cooperatives

The majority of the registered Lebanese farmer cooperatives fall in this category. They are inactive simply because they did not yet start to perform any services for the members. The officials of the Cooperatives Section of the Ministry of Agriculture reported in June 1962 when this study was undertaken that the number of active or functioning cooperatives did not exceed twelve. These were functioning in the sense that they performed one or more services for their members.

The main reasons behind the failure of the majority of farmer cooperatives to start doing any service are:

1. Lack of government help in promoting cooperatives

The government has no program for educating farmers about cooperatives, guiding the cooperatives in their early development, or providing sound financial support.

The government made a mistake when it decided to distribute free fertilizer to farmers if they formed a

cooperative. This made farmers rush to form cooperatives with the only idea that a cooperative is a means to get a grant from the government. A cooperative meant to them that a minimum of ten people should sign an application for the formation of a cooperative so that it would be registered legally in the Cooperatives Section of the Ministry of Agriculture. This was how the Lebanese government promoted the formation of cooperatives. The promotion lacked a very essential point in that it did not depend on a program which took into consideration the needs of farmers in general and their felt needs in particular. Cooperatives should have been promoted as a way through which farmers can improve their condition and solve their problems. This requires that farmers be guided in recognizing what is their problem and understanding the cooperative way to solve it.

Members of the cooperatives had never been exposed to the principles of cooperation before forming their cooperative or afterward. Due to the physical as well as technical limitations of the Cooperatives Section, very little work has been carried on in the way of education of either farmers or members of the cooperatives regarding cooperative principles and practices, and most of this since 1961 when F.A.O. supplied the services of an experienced advisor regarding cooperatives development.

The directors of the cooperatives were not in a better position than members concerning knowledge about cooperatives.

The Cooperatives Section did not have the facilities, nor the personnel to carry on an education or training program for the elected directors of the registered cooperatives.

The government did not enable the newly formed cooperatives to have access to credit which is the main problem of each farmer. Although the government provided 40 per cent of the capital of BCAIF, it did not follow a policy of making it easy for cooperatives to get credit from this bank. Because 60 per cent of the shares are held by private holders, the bank's policy in extending credit to agriculture is conservative. Cooperatives do not have the tangible security in the way of mortgage on land demanded by the bank, nor were the agricultural cooperatives formed in such a way that they can provide intangible security in the form of joint liability of the members for all money borrowed by the society. This lack of financial support by the government ended the life of most of the cooperatives before they started. The grants that were paid to cooperatives for several years could not help those cooperatives whose leaders and members had no idea about ways in which cooperatives can perform services really needed by the members in ways quite beneficial to them.

2. Lack of devoted and interested local leadership

It is a truism that no movement can succeed without proper and interested leadership. Where local leadership

has been inherited traditionally, there was no effort on the part of those leaders to do something beneficial for their communities even though some were educated enough to know about cooperatives. Local leadership was the main reason behind the activity of some cooperatives, since those leaders were actually the people who started the cooperative and struggled to sustain the cooperative active and functioning.

On the other hand, some leaders who considered the job of being a director as a status achievement, were ignorant of the principles and practices of cooperatives, since there was no education and training program to develop the knowledge and understanding of cooperatives by the traditional local leadership or a new local leadership of the community into well qualified directors and officers. Directors, in some cases might have been interested but unfortunately did not know what to do after they became directors. It must be mentioned also that some directors were not ready to risk their properties in providing them as securities to get loans for the cooperative by endorsing the note given the bank.

3. Lack of accessibility to credit

Commercial banks, agricultural supplies companies and other financial institutions were ready to loan an individual known to them such as a landlord rather than to a cooperative. Cooperatives which could not get in their

leadership a known "figure" could not get credit anywhere in Lebanon.

4. Mismanagement of the government's grants

These grants were usually given in cash to cooperatives. So, some cooperatives distributed these cash grants among their members the same way they distributed the first grant which was the free fertilizer. This destroyed what might have formed a nucleus of capital of the cooperative and at the same time gave the members a very false idea about a cooperative as a source of a small sum of money rather than a democratic institution to do for them service at cost. This was not a fault of the directors of cooperatives as much as it was the fault of the government or the Co-operatives Section in particular which did not do any kind of supervision to check the financial standing of cooperatives.

5. Lack of specific objective in mind

It must be made clear that the purpose or purposes of cooperatives were not clear in the minds of some directors. Very broad and vague purposes characterized their response to the question about the purposes of the cooperative. Such vague terms as we can help each other, work together, better our conditions and raise our standards were common answers. Such lack of differentiation between the broad objectives of cooperatives and the

purposes which rose from the specific services to be performed by the cooperative is very misleading to these people.

6. Vested interest

This is made very clear when we see that a merchant in the village is also a director of the cooperative. If this man already understood what a functioning cooperative might do to his business, then it is very reasonable that he is a director to try to keep the cooperative from functioning effectively. When there is vested interest for a "family", the resistance is stronger.

Criteria for Evaluation of Active Cooperatives

To judge a cooperative as a business institution, we must have a frame of reference or a set criteria on which to base our judgement.

In judging a cooperative organization, as distinguished from other forms of business enterprise, we must evaluate primarily on the basis of adherence to the basic principles of cooperatives which have withstood the test of time. A true cooperative must do business efficiently and retain its distinctive characteristics by carrying out the basic principles of economic cooperation in its every day activities.

Although cooperatives have their special principles and practices, some tend to believe that these are not static, hence S.F. Krause in his bulletin "Criteria For Evaluating

Dairy Cooperatives" said, neither the "cooperatives' leaders nor we in Farmer Cooperative Service believe that cooperative principles, fundamentals and policies or the practices appropriate for them, are static." This, however, will not weaken the basic concept that cooperatives principles and practices remain essentially different from those of any other kind of business. Principles like open membership, democratic control, distribution of patronage refunds, service at cost, religious and political neutrality, and promotion of education are important for cooperatives to practice today as well as in the past.

Application of Principles and Practices of Cooperatives

One of the chief distinctions between cooperatives and other types of business is that of ownership and control by the patron-users. Cooperatives are owned by these who use them and are controlled by members who participate in their activities. A member may utilize his ownership by using his cooperative organization to the fullest extent possible. His use does not contribute to its control unless he is interested enough in the future of his cooperative to attend meetings, vote on policies and in the election of directors, accept responsibility as an official, and help to promote the cooperative in new areas.

The cooperative form of organization endeavors to assure owner-patrons that the affairs and business of the association will be conducted in their interest. By-law provisions con-

cerning the rights of members to control the cooperative are of little significance, however, unless the members exercise their rights.

When members do not exercise control of their cooperative, then that is left to the board of directors who will act as individuals instead of representatives of members. This, no matter how efficient it is, cannot take the place of continuous, active participation by members in the formulation and carrying out of plans and policies. Willingness to accept majority decisions and abide by them until altered by later action of the group is an essential characteristic of a good cooperative member.

Arranging for business meetings and fostering members' participation in such meetings goes a long way to demonstrate that the members control a cooperative. Free discussion and the encouragement of members to express their views and ask questions are important also.

Unfortunately, member participation in attending general meetings and taking part in discussion is limited in the cooperatives studied. Business meetings are rarely attended, and when members attend generally they do not discuss the business nor do they suggest new plans or ideas. The election meetings are more popular although the percentage attendance in such meetings is still low. Members do not suggest plans for improving services or new activities or make operating decisions. The topics for discussion at members meetings are

suggested by the board of directors. However, it should be pointed out that insufficient member interest and participation in the affairs of cooperatives is a common complaint by cooperative leaders all over the world.

Cooperatives are supposed to distribute their net savings as patronage refunds. Cooperatives which had net savings did not distribute them to the patron-members. The cooperatives were not only unaware of such a practice but did not have a record of the volume of business of each member to make an equitable distribution of patronage refunds whenever they learn the practice of such a principle. The Ain Zhalta, Suk El Gharb and Kab Elias Cooperatives have net savings which they did not distribute. The accumulated amount of net savings in Kab Elias Cooperative at the time the study was made was about LL 10,000.

Members were not educated or taught about cooperative principles and practices, purposes, organization, responsibilities of members and directors etc., and no special meetings are held for this purpose. The leaders of Abadiyah Cooperative took the responsibility of teaching the members about Cooperatives. Members in other cooperatives learned something about cooperatives through informal meetings with educated people.

Growing Membership

A growing membership is a good indicator of the success of the cooperative in meeting the economic needs of its

members. The growth of membership was small in all the societies with the exception of Abadiyah Cooperative. This can be attributed not only to inadequacy of services but to other factors such as political controversies and the lack of a "join our cooperative" campaign to encourage other farmers to join. The increase in membership was shown already in Table 6. Almost all the cooperatives started with a membership of ten. Abadiyah, which was started in 1937, has a total membership of 253. The number of members was increasing until it reached this figure which seemed to remain constant for the last four years. The number of members constitutes about 65 per cent of the number of farmers in the village. The number of members in Kab Elias Cooperative reached 60 in 1962 but still constitutes a small percentage of the total number of farmers in the village, about 10 per cent only. The increase in the number of members in the other cooperatives was also small, and the number of members constituted a small percentage of the total number of farmers in the village as is shown in Table 6.

Trend of Volume of Business

The activities which contribute mainly to the volume of business are credit, marketing and purchasing of supplies. This is in case the cooperative is doing all these services as was the case in Abadiyah Cooperative. The main activities of Kab Elias Cooperative are marketing and credit. The other cooperatives limited their services to either marketing or credit only.

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.

Abadiash Cooperative handles a volume of business of about LL 165,000. This figure has grown from a small figure at the time the cooperative was established. Fortunately it was possible to get enough data to show the development of the volume of business of the cooperative since 1937. This was the only cooperative where complete data about volume of business in the past was available. The development of the business of the cooperative is shown in Table 15. The increasing trend in the volume of business of the cooperative in all of the divisions of credit, purchasing and marketing is an indicator of the activity of the cooperative. The amount of credit increased from LL 175 in 1938 to LL 13,000 in 1961. The volume of marketing increased from LL 7876 in 1938 to LL 121,707 in 1961. The volume of purchased supplies was increasing until 1954 when this was discontinued.

The total volume of business handled by Kab-Elias Cooperative was not available since no record is kept of the volume of marketing. The amount of credit showed an increasing trend, as is shown in Table 14. This was due to increase in both number of patrons and average loan per patron. The amount

of credit increased from LL 29,535 in 1958 to LL 57,350 in 1961. This indicates that the volume of marketing also must have been increasing since patrons were both taking credit and marketing through the cooperative. The cooperative did not introduce new things into marketing like the Abadiah Cooperative did by introducing grading which the members felt increased their returns and developed standard containers for easier handling and transportation.

The volume of credit advanced by Jibrael Cooperative and Housh El Omera Cooperative did not increase mainly because of lack of access to credit. On the contrary, in case of Jibrael Cooperative it decreased in the last three or four years, and this was already discussed under credit.

The volume of marketing done by Suk El Gharb Cooperative showed a downward trend in the last four years. Members began marketing their apples on their own whenever they could receive the same or a better price outside the cooperative. There was no legal contract between the members and the society requiring them to market their fruit through the cooperative. The reduction in volume of business reduced the activity of the cooperative.

Mobilization of Savings

Cooperatives, when they do not have enough equity capital to finance their business services and extend loans to members, can resort to borrowing. But they may not always find enough funds for their purposes. However, a cooperative is supposed to raise a substantial amount of capital of its own and

mobilize the capital and savings of its members to provide the major part of the needed funds. By doing this the cooperative enables its members to earn interest on their previously idle savings.

Cooperatives which have employees and are renting store houses like Kab Elias and Abadiah, need some capital to finance such business services. Abadiah Cooperative did not have enough capital from share capital and fees because the number of shares was limited to one share per member. This made the cooperative introduce an obligatory saving program, which not only mobilized the savings of members but enabled the cooperative to have enough capital to finance its business services and extend loans to its members.

The other cooperatives did not arrange for selling their members more shares, nor did they develop a saving program for their members. This made them unable to have enough equity capital to finance their operations. The amount of equity capital is shown in Table 11.

Members Knowledge About Cooperative

The members knowledge about cooperatives and of the services and working of their cooperative is essential for members to support the cooperative. "It has been shown statistically in studies conducted in Pennsylvania that there is a definite relationship between membership support and members' knowledge of the services and working of their cooperative."¹

¹ J.K. Stern and H.F. Doran, Farmers Support of Cooperatives, Agr. Exp. Sta., Bulletin 505, (Pennsylvania: The Pennsylvania State College, School of Agr.), 1948, p. 27.

Farmers often become members of cooperatives without adequate knowledge of the duties and responsibilities they are assuming. This was the case of members in most of the cooperatives studied in Lebanon. The basic understanding of how the cooperative is organized, the responsibilities of membership and the importance of participation in the affairs of the association can strengthen the ties between the cooperative and the members. It needs to be sustained continuously by an affective membership relations program.

Usually, no formal meetings are arranged where members of the cooperatives can learn about principles and practices of cooperatives. Members began to know about cooperatives through informal meetings with an educated man as was the case in Abadiyah, Kab Elias and Jibrael Cooperatives. Members of Abadiyah Cooperative, who have been members for along time, learned more about the operation of cooperatives through doing business with the cooperative than from meetings arranged by the cooperative for the purpose of education.

Members look at their cooperative as a better dealer than the merchant rather than as a democratic institution to be controlled and patronized by them as owners and supporters. Members did not know that they are, or should be, the controllers of their cooperative and that the board of directors is responsible to them. This, although it is believed to be due to lack of education, may be because these farmers, like all people in the rural traditional communities, do not usually participate in decision making and leave this to the leaders.

The members answers to the question "who controls the cooperative?" reflect this very clearly.

Table 20 summarizes the ideas of members various cooperatives regarding in whose hands the control of their cooperative rests. It appeared that members in all the cooperatives lacked the knowledge that members are the controllers of the cooperative; that the cooperative is a member owned and controlled institution. All members interviewed thought the chairman, the manager, or the directors controlled the cooperative rather than the members.

TABLE 20

CONTROL OF COOPERATIVE AS REVEALED BY MEMBERS ANSWERS

Member thought Cooperative is controlled by:	Number of Respondents			
	Abadiyah	Kab Elias	House El Omera	Jibrael
1. Chairman	6	4	2	2
2. Manager	4	-	-	-
3. Directors	10	6	4	8
4. Members	0	0	0	0
Total	20	10	6	10

Since the urgent need of members of Abadiyah Cooperative was for honest marketing of their products, and avoidance of

the dishonesty of merchants, in Beirut, most of the members said that the reason behind joining the cooperative was the desire to have honest weights and sale proceeds for their products. The felt need by members and this experience through the cooperative made clear to members the reasons behind joining a cooperative and the purposes of such an association. The same was true of Kab Elias Cooperative members who realized because of their need for credit and marketing that the reason behind joining the cooperative was to get rid of the dishonest middle-man in both marketing their products and in securing credit. It is a characteristic of an intelligent membership of a cooperative to know or recognize the specific need for organization so that they will have the patience to work out their problems. The reasons given by members in different cooperatives for joining the association are shown in Table 21.

The answers show that members of Jibrael and Housh El Omera Cooperatives lacked the knowledge of a specific economic reason for joining the society. Members emphasized more a sociological objective in wanting to work together and help each other. They are concerned about their primary group relationships. But, it seems essential for them to recognize a specific economic objective since the cooperative is a socio-economic institution to provide services for its members at cost.

TABLE 21

REASONS GIVEN BY MEMBERS OF DIFFERENT
COOPERATIVES FOR JOINING THE SOCIETY

Reason Given	Number of Respondents			
	Abadiyah	Kab- Elias	Jibrael	Housh El Omera
1. Help each other and work together	-	-	5	4
2. Rent more land cooperatively	-	-	-	1
3. Get government help as a group	-	-	2	1
4. Get credit	2	-	2	-
5. Because relatives joined	-	-	1	-
6. Have honest marketing of products	13	-	-	-
7. Get cheaper credit and better marketing	4	-	-	-
8. Because marketing is easier	1	-	-	-
9. To avoid middleman and have honest marketing	-	8	-	-
10. To get cheaper credit	-	2	-	-
Total	20	10	10	6

Members are expected to know about the operations and business of their cooperative. They can not be considered to

have full and complete confidence in the cooperative or the cooperative's personnel when they do not know the rate of interest paid by them on loans they get from their cooperative. Members must know about the business of their cooperative much more than they used to know about the business of the merchant from whom they bought supplies on credit previously. The answers given by members show that most of them did not know the rate of interest the cooperative charges on the credit they secure from it. The small number of correct answers reported in Table 22 reflects the lack of communication between the cooperatives and the members. It is the responsibility of the officers and directors to inform the members regarding the operation of their society. Abadiyah Cooperative was the only one in which any members knew the rate of interest they were paying their cooperative on credit they got from it. A sociological question can be raised here in that the lack of knowledge is a result of the tradition of farmers accepting things without questioning them. Such a question can only be answered through a sociological investigation.

Members lacked the knowledge of a basic principle of cooperatives and that is the principle of service at cost. Members of Abadiyah Cooperative, unlike members in the other cooperatives realized that the cooperative is an institution to provide service at cost. Members in the other cooperatives believed that the cooperative makes a "little" profit compared to the merchant. Members are to be excused for believing that

TABLE 22

KNOWLEDGE OF RATE OF INTEREST CHARGED BY COOPERATIVE

Answer	Number of Respondents			
	Abadiyah	Kab Elias	Jibrael	House El Omera
1. Correct	3	0	0	0
2. Incorrect	5	8	8	5
3. Do not know	12	2	2	1
Total	20	10	10	6

the cooperative makes a "little" profit when the cooperative has not actually distributed its net savings on basis patronage. Members did not experience the application of this important principle of cooperatives.

Members' Attitudes

It is essential that a cooperative meet an economic need or needs of its members. The justification of any association rests on the fact that its members achieve more satisfactory results from collective effort than is otherwise attainable through individual effort. This is reflected in the members' attitudes toward their cooperative. The members' attitudes toward their cooperative cannot be separated from their attitude toward the cooperative's leadership since the adequacy of the

service provided by the cooperative is associated with the quality of leadership. When the leaders were interested enough to get sufficient credit for the members, the attitude of members toward these leaders was positive.

In case of marketing there were many factors to allow for a positive attitude toward cooperative services. Such factors are:

1. Marketing cooperatives see that the commission agents give accurate accounting and weighing which assures correct returns for products sent to market.
2. Cooperatives have a substantially larger volume of business so that the commission agent gives priority to selling their products. An individual farmer's products when delayed in sale will sell for lower prices than if sold early in the day.
3. A member does not have to lose time to accompany his products to the market nor pay a bus fare which would increase his transportation expenses.
4. The cost of transportation is lower per unit through the cooperative due to the larger volume of produce.
5. The cooperative has a greater bargaining power in case of non-perishable products like apples where the produce could be easily stored if prices offered were not favorable. But in case of perishable products and because of the nature of the marketing system, the increase in bargaining power is not felt as an important factor in cooperative marketing.

6. The introduction of grading benefited the members and enabled them to get better prices for their graded products depending on their quality. Unfortunately, this was not introduced by all cooperatives which are doing marketing.

The questions that reflected the attitudes of members were "Are you satisfied with the services of the cooperative?" As a member would you say that the leadership of the cooperative is very good? Fairly good? Poor?" "Why don't you buy more shares?" And "when you hear talk against your cooperative what do you do?"

The attitude of members in both Abadiyah and Kab Elias Cooperatives was positive or favorable toward both the cooperatives' services and leadership. The attitude of members in Housh El Omera Cooperative was negative or unfavorable toward both the cooperative's service and leadership.

TABLE 23
ATTITUDE OF MEMBERS TOWARD THE SERVICES
PERFORMED BY VARIOUS COOPERATIVES

Answers	Number of Respondents			
	Abadiyah	Kab Elias	Jibrael	Housh El Omera
1. Very well satisfied	20	9	0	0
2. Fairly well satisfied	0	1	2	0
3. Not satisfied	0	0	8	6
Total	20	10	10	6

But the case was different in Jibrael Cooperative, since, although the member's attitude toward the cooperative's services was unfavorable, their attitude toward the cooperative's leadership was not so. This raises a sociological question as to whether this is because the members are kins of the leaders and thus they cannot show a negative attitude towards them although the cooperative's services are unsatisfactory to the members.

TABLE 24

ATTITUDE OF MEMBERS TOWARD THE LEADERS
OF VARIOUS COOPERATIVES

Answer	Number of Respondents			
	Abadiyah	Kab Elias	Jibrael	Housh El Omera
1. Very good leadership	20	10	0	0
2. Fairly good leadership	0	0	6	1
3. Poor leadership	0	0	4	5
Total	20	10	10	6

The fact that members in Jibrael Cooperative and Housh El Omera Cooperative are afraid they will lose their money if they buy more shares in their cooperative reflects a negative attitude. Members in Abadiyah and Kab Elias Cooperatives have a positive attitude in that the main reason

they have for not buying more shares is that the cooperative limits the number of shares a member can own.

TABLE 25
REASONS GIVEN BY MEMBERS IN DIFFERENT
COOPERATIVES FOR NOT BUYING MORE SHARES

Reason	Number of Respondents			
	Abadiyah	Kab Elias	Jibrael	Housh El Omera
1. Because of lack of money	0	1	4	1
2. Because of fear of loss	0	0	6	5
3. Because number that one can buy is limited	20	9	0	0
Total	20	10	10	6

Members in all the cooperatives said that they would defend their cooperative if they should hear talk against it. Since they identify themselves with their cooperative, members are ready to defend it even though it is not performing any satisfactory services for them. When talk against the cooperative is heard, then the "other" group in the village must be the source of this. This thought is reflected in the idea of the majority of the members of the Abadiyah, Kab Elias, and Jibrael cooperatives to enquire regarding the source of the unfavorable talk, as shown in Table 26. It is because members

believe that the talk is meant to be against them rather than against the cooperative that makes them defend the cooperative in all cases.

TABLE 26

MEMBERS RESPONSE TO TALK AGAINST THEIR COOPERATIVE

Kind of Response	Number of Respondents			
	Abadiyah	Kab Elias	Jibrael	Housh El Omera
1. Say nothing	0	0	0	0
2. Defend the Cooperative	20	10	10	6
3. Ask from where did the information come	15	6	6	2

Keeping Accounts and Records

Cooperatives do not aim to make profits but to render services to their members at cost. In doing this, cooperatives incur administrative expenses, and also expenditures for purchase and distribution of materials, wages, transport etc. Should the income of the cooperative exceed expenses, the cooperative then distributes this surplus or net saving among the members in the form of patronage refunds proportional to their transactions with the cooperative. For all this to be done, accounts and records of receipts and expenses and also of every member's volume of business are extremely essential.

Keeping accounts is essential to ascertain assets, liabilities, net worth, surplus and loss all of which are necessary to test financial position of the cooperative.

It was already mentioned that the cooperatives, with the exception of Abadiyah and Jibrael do not keep complete accounts and records in an organized manner or do not keep them at all. A sociologist may raise a question here about the honesty of the people rather than a complete lack of knowledge of how to keep accounts and records.

The results of applying the appraised standards or criteria to the studied cooperatives is summarized in Table 27. The whole criteria proves whether the cooperative is active and true to cooperative principles or not. It is not possible to give a certain score to each society under each criteria but it is very essential for a true cooperative which is fulfilling its purpose of performing needed services for the members to have a positive rating in each of the criteria for measuring its performance. On the basis of such appraisal it is seen that the performance of most of the cooperatives is not what is expected of cooperatives which are meeting the economic needs of the members for important services.

TABLE 27

APPRAISAL OF VARIOUS COOPERATIVES ACCORDING TO VARIOUS CRITERIA

Cooperative	Applying Principles of Cooperatives	Membership Growing	Volume of Business Growing	Mobilizes Savings of Members	Member's Knowledge	Member's Attitude	Accounts and Records kept
Abadiyah	^a +	+	+	+	+	+	+
Kab Elias	^b -	-	+	-	-	+	-
Jibrael	-	-	-	-	-	-	+
Ain Zhalta	-	-	+	-	-	+	-
Housh El Omera	-	-	-	-	-	-	-
Suk El Gharb	-	-	-	-	NI ^c	NI	-

a + Positive

b - Negative

c NI Information not collected

CONCLUSIONS

In drawing our conclusions we must keep in mind that there are two kinds of cooperatives in Lebanon; the so called "functionless", which constitute the majority, and the so called "functioning" cooperatives, six of which we evaluated. The main and only characteristic of the "functionless" cooperatives is that they did not perform any economic service for the members after registration. The main reasons for this are: lack of government guidance, lack of interested local leadership, lack of cooperative "Know How", and lack of a specific objective or objectives.

The conclusions to be drawn about the "functioning" cooperatives must emphasize mainly their achievements and weaknesses. Some of the achievements of these cooperatives are:

1. Supplied Credit at Lower Rates

The cooperatives that supplied credit in kind charged a lower price per unit than that prevailing in the local market for goods bought "on time". The difference ranged from 2 - 3 P.L. per kilogram of fertilizer, and more than this for other chemicals. The rate of interest on loans was also lower, although it was as high as 15 per cent compared with the merchants' rate of 30 - 40 per cent.

The provision of credit in kind, that is in the form of production supplies, directed its use into productive

ways to increase the farmer's yields and output. The availability of effective chemicals at reasonable cost helped farmers to follow scientific recommendations in production practices and thus produce more and better quality products.

2. Introduced Grading of Products

This was done by Abadiah Cooperative only. The cooperative took the responsibility of teaching members how to grade their products. At the beginning, the cooperative asked the members to bring their products to the cooperative's store and grade them in the presence of the cooperative's representative. With time, members realized the advantages of grading and are now doing honest grading in their fields while packing products in the containers for transport to market.

The effect of grading was higher returns for members who were thus stimulated to produce better quality products to sell as much as possible of his produce as higher grades for better returns.

3. Provided Better Marketing Service

The members were assured honest and accurate weights of their products which are usually weighed at the cooperative's store. They also got the advantage of lower cost per unit to transport their products to the central market in Beirut due to the larger volume handled by the cooperative.

The Abadijah Cooperative, by providing standardized containers lowered the percentage which is damaged due to handling of the products. This helped the farmer to secure higher returns. The products of members are all marketed promptly and accurate accounts of sales are assured to the members regardless of whether at high or at low prices.

4. Lowered Interest Charges Through Competition

Cooperatives which extend credit and or loans to their members have reduced the rate of interest in the locality by competing with merchants and moneylenders. These had to lower the rate of interest they charge to borrowers to attract some customers and to compete with the cooperative in an attempt to drive it out of business, if possible. Merchants in areas where there are active cooperatives are no longer able to collect the high "time price" they used to charge. They became more willing to give credit to farmers, especially to members of the cooperatives who appear to merchants to be more credit worthy than formerly.

5. Created New Type of Local Leadership

Cooperatives, as democratic institutions, developed the idea that every member has the right to be elected a member of the board of directors if he is capable. This right made those who are literate to be in the first position to be elected as directors, although it is always

important whether they were originally local leaders by inheritance or not. It should be remembered that the number of men in most villages who are both literate and capable in business matters is still limited and that membership in the board of directors carries status and therefore is much in demand by most people. Cooperatives try to satisfy this demand by allowing for a large number of directors on the board. It can be said that Abadiah Cooperative was the only cooperative which succeeded in developing a new local leadership where capability of the directors became the criteria for electing men to the position. The cooperative preserved or perpetuated the primary group values since members felt that they are cooperating not only because of business reasons but because they are people of the same community.

6. Other Contributions

Abadiah Cooperative contributed other useful services when it arranged for teaching daughters of interested members sewing and knitting, and informed members and taught them about better agricultural practices to produce more and better quality products.

The cooperatives have certain deficiencies and weaknesses, these are:

1. Not Applying The Principles of Cooperatives

The cooperatives other than Abadiah did not apply

the main principles and practices of cooperatives mainly because of lack of knowledge. They did not practice democratic control by members which was shown in very little member participation in control and decision making. A question which needs an answer is whether members do not participate because they do not want to accept responsibility in decision making, or because they do not understand the responsibilities of members of cooperatives. The cooperatives studied did not distribute their net savings as patronage refunds, and generally did not promote education among members nor maintain neutrality regarding religion and politics.

2. Insufficient Loan Funds by Some Cooperatives

Where credit is the most essential need of the farmer-members, some cooperatives have insufficient funds to meet the demand by members for production loans. At the same time they are not getting credit from outside to meet the demand of their members.

3. Insufficient Equity Capital

The capital invested by members in their cooperatives is much too small to finance the operations for serving the members. Most of the cooperatives studied needed to have a positive program to get the members to increase their investment, as the Abadiah Cooperative does through its revolving fund plan.

4. Small Volume of Business

This is due mainly to the small number of members. One main reason for small membership is political controversy where mistakingly the cooperative is associated with such controversy. Adherence to the principle of neutrality and emphasis upon service to all farmers in a village could do much to enlarge the number of members and expand the volume of business.

Professor G.C. Fetter found in his study of the attitudes of farmers in central Beka' that most of them prefer to work as individuals. He said "to classify the reasons for the prevalence of individualism, with its concomitants of distrust and lack of grasp and experience with the concept of cooperation, would constitute an interesting study in itself. Relevant here, of course, is the particular historical picture of the Middle East, the typical independence of rural people and villages everywhere, the sharp competitive struggle for survival in this and other food short areas, and the politico-religious strife and frictions."² But the important thing is to get people to understand and know cooperatives before adopting their final attitude toward cooperation.

² G.C. Fetter, Attitudes Toward Selected Aspects of Rural Life and Technological Change Among Central Beka' Farmers, Faculty of Agr. Sciences, Publication No. 13, (Beirut: A.U.B.), 1961, p. 26.

5. Unsatisfactory Member Knowledge

Members should know at least the principles and practices of cooperatives in order that they can participate in the cooperative in their own interest. An education program is essential for teaching the members the essentials of cooperative action. Unfortunately, this is still lacking.

6. Lack of Suitable Accounts and Records

Without account books, most of the cooperatives in Lebanon do not know whether they are achieving net savings from their operations or what is their financial position. They have no basis of records on which to distribute patronage refunds to the members as tangible benefits if net savings are achieved.

It must not be forgotten that most of these weaknesses and deficiencies are the result of lack of government help in conducting educational programs for members and farmers in carrying out training programs for directors and officers of cooperatives and in providing sound financial help to the cooperatives.

It seems that the main reasons behind the progress of Abadiyah Cooperative compared with the other cooperatives are: The realization of an economic need, interested and effective leadership, homogeneity of the community and loyal support of members, and nearness to Beirut market especially for marketing purposes.

RECOMMENDATIONS

The functioning cooperatives should try to overcome their deficiencies and weaknesses by:

1. Educating their members about the cooperatives and its operations and teaching them cooperative principles and practices.
2. Following cooperative principles in their operation, and as fostering democratic control by the members and providing service at cost through distributing net savings on the basis of patronage.
3. Encouraging other farmers, irrespective of their political affiliation, to join the cooperative and thus increase the volume of business in order to reduce per unit cost.
4. Mobilizing savings of members by marketing societies can do this through a deduction from the proceeds for products sold for members and revolving these back to the members after 3 to 5 years.
5. Supplying enough credit for optimum production by their members and trying to get lower cost funds by borrowing from BCAIF, if possible, instead of from supply companies.
6. Developing better marketing service through introduction of grading and standardized containers for various products.
7. Keeping accounts and records to be able to know the

outcome of current operations and to distribute their net savings equitably as patronage refunds, and also know where the society stands financially.

Legally, since the majority of the inactive cooperatives are "general" in their purpose, they can do more than one service for their members. But it seems that the most urgent needs of farmers are more suitable and adequate credit and better marketing service. This, at present, means that these cooperatives need to provide credit for their members which should be in kind so that the credit is used for productive purposes. In this respect, the activities of purchasing of supplies and extending credit are integrated together as a joint service.

For a cooperative to do marketing successfully it needs a minimum volume of business which makes it economically feasible to employ an experienced man who will take care of marketing the products. If the cooperative can not have enough volume of business, then an area cooperative can do the marketing service and the local cooperative can do the credit service, including advancing supplies covered by the loans granted to the various members.

Since farmers in Mount Lebanon depend mainly on apples which can be stored for sometime before marketing, the cooperatives in this region could store their products if the Lebanese Fruit Board would provide storage for the products and gives credit to the cooperatives while the products are

in storage. While the Fruit Board may want to either (1) buy the products directly after harvest at reasonable prices, and later market them in foreign markets and take the risk of losing or gaining, or (2) provide storage and marketing services at cost for cooperatives, and provide credit for cooperatives during the time of storage plus production credit when needed. This would be a way to help and develop these cooperatives. Cooperatives in the coastal areas could do the marketing of their citrus fruits in a similar way.

The Cooperatives Section of the Ministry of Agriculture should perform the following functions:

1. Educating of members of cooperatives and other farmers about cooperatives principles, the rights and responsibilities of members, and the nature of cooperative business. Classes of short duration conducted by the staff of the Section for members and farmers to study elementary principles and practices of cooperation, should be organized at convenient centers as near to their homes as possible. By this they would develop the real philosophy of cooperation in self help and
2. Training directors regarding the general conduct of the business of cooperative societies, their duties and responsibilities.
3. Training officers and book-keepers of cooperatives in simple accounting methods and records keeping in standard simple books and preparation of statements returns.

4. Enabling cooperatives to have access to adequate and low interest production credit and supervised credit.
5. Audit the accounts and records of the cooperatives and then explain the report on the examination of the society's operations to the board of directors and the membership.

APPENDIX

STUDY OF COOPERATIVES IN LEBANON

QUESTIONNAIRE FOR COOPERATIVES

1. Name of the coop. _____ 2. Village _____
3. Date founded _____
4. What services and functions are performed?
 - a) Savings and loans _____
 - b) Purchasing _____
 - c) Marketing _____
 - d) Combined services _____
 - e) Other services _____
5. What is present No. of members? _____
6. What is present No. of non-member patrons? _____
7. What is No. of farmers in the village? _____
8. Is membership open? _____
9. Why did you form the co-op.? _____

10. What purposes did you have in mind at the beginning? _____

11. What is the total number of shares of member capital? _____
12. What are the qualifications for memberships?
 - a) Farming as an occupation _____
 - b) Residence in the area _____
 - c) No. of shares bought _____

- d) Kinship relations _____
- e) Others _____
13. What is the number of members who attend meetings? _____
14. Who educates the members about cooperatives? _____
15. Do you have a general meeting? _____
Once a year? _____ Each season? _____
Not at all? _____
16. Are the members relatives?
All _____ Most _____ Few _____
17. Does the co-op have a board of directors elected by
the members? _____
18. No. of directors? _____ Term of office? _____
19. What is the nominating procedure?
a) A nominating committee _____
b) All members participate _____
c) Old board _____
d) Other ways _____
20. What are qualifications of directors considered desirable?
a) Age _____
b) Leadership and wisdom _____
c) More shares _____
d) Social status _____
e) Ambition _____
21. Who trains the board of directors? _____
22. How often do they meet? _____
23. Are they compensated for attending meetings? _____
Amount? _____

24. What are the responsibilities and functions of the board?
- a)
 - b)
 - c)
 - d)
25. What is the method of voting in meetings of the members?
- a) One man one vote _____
 - b) According to No. of shares _____
 - c) According to volume of business _____
26. Do you have proxy voting ? _____
27. Who manages the co-op? _____
28. What is his level of education? _____
29. What did he do before he became manager? _____
- _____
30. Is he from the village? _____
31. Who appoints him? _____
32. Is he related to the members of the board? _____
33. How much is he paid? _____
34. Is he satisfied with his salary? _____
- Very much _____ Fairly _____ Little _____ Not at all _____
35. Is he sympathetic to the principles of the co-op and cooperation? _____
36. Does he work all the year for the co-op? _____
37. What are the responsibilities of the manager? _____
- _____
- _____
38. Does the co-op keep accounts and records of the business done? _____

39. Who audits the accounts? _____
40. Did you have any education by a government officer? _____
41. If yes, were you satisfied with it? _____
42. If not satisfied what are some of the reasons?
- a) Information received was not made clear _____
 - b) Felt no interest on part of the agent _____
 - c) Information received was of no value _____
 - d) Education did not go with your actual working _____
 - e) Other reasons _____
43. Do you have membership difficulties? _____
- a) Lack of necessary information among members _____
 - b) Inexperience of farmers in cooperative _____
 - c) Promises of big refunds or prices unfulfilled _____
 - d) Number of members too small _____
44. If you feel that the No. of members is small, why it is not increasing?
- a) Because others are not interested _____
 - b) Because others have a different type of farming

 - c) You do not like other than relatives to be members

 - d) You do not like others of different religion to be members _____
 - e) Other reasons _____
45. Who determines the business policies?
- Manager _____ Directors _____ Members _____ All _____
46. What difficulties in management did you have?

- a) Inadequate accounting _____
- b) High expenses _____
- c) Speculation by responsible persons _____
- d) Friction among board members _____
- e) Lack of interested directors _____
- f) Lack of interested manager _____

47. On what do you depend in financing the co-op?

- a) On share capital _____
- b) Members savings placed in the coop. _____
- c) Loans borrowed _____
- d) Preserves of the cooperative _____
- e) Grants from government and/or other agencies _____

48. How much of the capital of the co-op is:

L.L.

- a) Share capital paid by members? _____
- b) Deposits by members? _____
- c) Grant from government or other sources? _____
- d) Accumulated reserves? _____
- e) Other sources? _____

- Credit -

49. From where do you borrow your money? _____

50. For what period of time did you borrow the money?

- a) Up to 1 year _____
- b) 2-5 years _____
- c) Over 5 years _____

51. What is the rate of interest you are paying? _____

52. What is the amount that you apply for annually? _____
Maximum? _____ Minimum? _____
53. What is the amount that you obtained? _____
Maximum? _____ Minimum? _____
54. Are members of the co-op liable for debts incurred by the
association? _____
55. Do you think you are getting enough credit for your
purposes? _____
56. What was the No. of loans to members the past 5 years?
58 _____ 59 _____ 60 _____ 61 _____ 62 _____
57. What was total amount of loans to members in?
58 _____ 59 _____ 60 _____ 61 _____ 62 _____
58. What collateral does the co-op require from members? _____

59. How many delinquent debts did the co-op experience in?
58 _____ 59 _____ 60 _____ 61 _____
60. What is the amount of outstanding receivable loans today?

61. What plan do you follow in collecting delinquent loans?

62. What were some of the reasons for delinquency?
a) Negligence of borrowing members _____
b) Natural hazards and poor crops _____
c) Low returns from marketing _____
d) Other reasons _____
63. Does the co-op require borrowing members to market their
produce through the co-op.? _____

64. Are members getting credit from money lenders or any local source now? _____
65. In what forms are they getting credit?
- a) Cash loans _____
 - b) Fertilizer on credit _____
 - c) Insecticide on credit _____
 - d) Other services on credit _____
66. What is the rate of interest paid on this credit? _____
67. How does the price of fertilizer or any other service on credit compare with that prevailing on the market?
- _____
68. If you realize the difference is big, why does not the co-op increase its activities and supply such services?
- a) Because you do not know how to do this _____
 - b) Because source of credit is far away _____
 - c) Because you will not be able to get credit _____
 - d) Because "middleman" of the services is one of your leaders _____
69. Why don't you try and market your products cooperatively?
- _____
- _____

-Marketing and Purchasing-

70. What agricultural products are you marketing? _____
71. What were quantities and values of these products sold during last 3 or 5 years?
- | | | | | | | | | | |
|----|-------|----|-------|----|-------|----|-------|----|-------|
| 57 | _____ | 58 | _____ | 59 | _____ | 60 | _____ | 61 | _____ |
| 57 | _____ | 58 | _____ | 59 | _____ | 60 | _____ | 61 | _____ |

72. What marketing difficulties did you meet?

- a) Low prices _____
- b) Competition from other sellers _____
- c) Lack of grading, packing and quality products _____
- d) Inability to avoid use of middleman _____
- e) Transportation difficulties _____

73. Do you sell all the member's products together or separately? _____

74. What commodities is the co-op supplying to its members?

75. What were the quantities and values of supplies purchased during the last 3 or 5 years?

57 _____ 58 _____ 59 _____ 60 _____ 61 _____

57 _____ 58 _____ 59 _____ 60 _____ 61 _____

76. What were the prices charged to members? _____

77. How did these compare with market prices? _____

78. How did the prices the co-op paid compare with usual market prices? _____

STUDY OF COOPERATIVES IN LEBANON

QUESTIONNAIRE FOR MEMBERS

1. Name of the Co-op _____ Member's name _____
2. Type of farming:
 - a. Crops _____
 - b. Poultry _____ c. Livestock _____ d. Mixed _____
3. What is the quantity of land you own (dunums)? _____
In trees _____ For other crops _____ Total _____
4. What is the No. of chickens you have or you sell?
Laying _____ Broilers _____
5. What is the number of animals you own?
Cows _____ Goats _____ Sheep _____
6. When did you join the co-op? _____
7. Why did you join the co-op? _____

8. Did you attend any meetings to learn about co-ops before you
joined the society? _____ How many such meetings? _____
9. Does the co-op hold any meetings to teach you about
cooperation? _____
10. How many shares do you hold? _____ Price of share? _____
11. What is the minimum number of shares required for membership?

12. Why don't you buy more shares?
 - a) Because of lack of money _____
 - b) Because of lack of interest _____
 - c) Because of fear of loss _____

- d) Because No. that one can buy is limited _____
- e) Other reasons _____
13. How many votes do you have in a meeting of the co-op. society? _____
14. Do any members have more than one vote?
Yes _____ No _____ Don't know _____
15. Do you ever vote according to the number of shares you and other members own?
Yes _____ No _____ Don't know _____
16. Who controls the Co-op?
Directors _____ Manager _____ Members _____
All together _____
17. What as you know was the main purpose or purposes for establishing the co-op? _____

18. Are you obliged to sell and buy through the co-op? _____
19. If not, do you tend to sell and buy through the co-op? _____
20. If yes why do you do so?
a. Because the co-op provides service at cost _____
b. Because you can buy for lower prices _____
c. Because you can sell for higher prices _____
d. Because it is easier _____
e. Because you can pay for supplies when you sell your products _____
21. From your experience would you say that marketing through the co-op is better than selling yourself?
Better? _____ Same? _____ Not better? _____
22. If you think it is better, what are some of the reasons?

- a. Better prices through the co-op _____
 - b. More bargaining power as a group in the co-op _____
 - c. Co-op tells you the kinds of products that sell for high prices _____
 - d. Lower costs for supplies and credit _____
23. Do you sell all your products through the co-op? _____
If not, why? _____

24. Are you satisfied with the services of the co-op?
Very much _____ Fairly well _____ Not _____
25. As a member would you say that the leadership of the co-op is Very good _____ Fairly good _____ Poor _____
26. Is your co-op run democratically?
Yes _____ No _____ Don't know _____
27. What do you understand by democratic control?
a. All members have equal rights _____
b. Voting is according to the No. of shares each member owns _____
c. Each member has one vote _____
28. When you hear talk against your cooperative, what do you do?
a. Say nothing? _____
b. Ask from where did this information come? _____
c. Defend your Coop.? _____
d. Ask the manager, or an officer about the statement? _____
29. How are the candidates for directors nominated?
a. By the President _____
b. By the old board _____

- c. By members in the election meeting _____
 - d. Other ways _____
30. Whom do you tend to vote for when the board of directors is elected?
- a. Big farmers _____
 - b. Good farmers of good leadership _____
 - c. Those who own more shares _____
 - d. A relative, when nominated _____
31. Do you have the right?
- a. To attend the board's meetings _____
 - b. To argue their decisions _____
32. What economic services do you like the co-op to do for you and other members?
- a. Provide loans when needed _____
 - b. Market members products cooperatively _____
 - c. Purchase cooperatively goods needed _____
 - d. Supply the services of farm machinery _____
 - e. Other services needed _____
 - f. Plan a big project _____
33. Is the co-op providing credit? _____
34. What are the periods of the loans?
- Short _____ 2-5 years _____ Over 5 years _____
35. a. What is the rate of interest you are paying to the co-op? _____
- b. What was the rate of interest you used to pay to money lenders? _____
36. Do you think the co-op is providing enough credit? _____
-

37. What difficulties and problems do you find with the loaning service?

- a. Too much formalities _____
- b. Much tangible securities needed _____
- c. Loans not large enough for farm operation _____
- d. Money comes too late _____
- e. Loans not available at all when greatly needed _____

38. Do you keep your savings in the co-op?

All _____ Most of savings _____ Very little _____
Not at all _____

39. Why do you not deposit some of your savings in the co-op?

- a. No money to save _____
- b. Not convenient to deposit small amount of savings _____
- c. May need money quickly _____
- d. May not be able to get money back when you need it _____
- e. Other reasons _____

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