

METHODS AND TECHNIQUES OF DEVELOPING CO-OPERATIVE BUSINESS NETWORK FOR HIGHER ECONOMIC RESULTS

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ABSTRACT

The role of agricultural co-operatives in production and marketing is significant in the developing economies of the world. Based on the experience of developing countries with the 'no-subsidies' syndrome, things are gradually becoming difficult and expensive for the farmers. Farmers are now forced to rely on others for cooperation, collaboration and support. An era of 'networking' has thus been ushered not only in the agricultural sector but also in all other trade-related sectors. This is one of the ways to insulate the agricultural sector from negative influences. A 'network' may be defined as the chain of people or institutions working together to achieve common goals i.e., higher economic returns. Members of the network help each other by exchanging information, sharing ideas and experiences, using each other's contacts and making joint strategies.

Types of networks are: Issue-based, Board-based, Area-specific and Donor/Fund-driven networks. These days computers, the internet and visits to websites have become essential tools to access, accumulate and disseminate information on various aspects. Information needs to be collected on suppliers of raw materials and inputs, sources of such inputs, producers and products. Data is to be collected on various linkages – the consumption areas, interested parties, market information and the markets within and outside the country. Information also needs to be collected on methods and techniques used and procedures followed by the suppliers and consumers/users. Networking is advantageous both to the producers as well as the consumers. Through networking information and facilitation can be obtained on the World Trade Organisation (WTO), ISO certification, E-commerce, E-shopping, Internet, networking and clustering, and frequent 'buyer-sellers' meets.

This paper also covers the actualisation of international trade and the methodology to develop contracts and agreements. Networking is not a mere digital game using computers and correspondents. It is a systematic scheme based on the use of carefully collected and analysed data. It is not a person-to-person contact. It is a complete whole of the entire environment. It has inputs and outputs and contains scope for review, appraisals and improvements. Above all it helps the producer to earn more and the consumer to save more.

INTRODUCTION

It is widely understood and well-recognised that in the matter of agricultural production and its distribution co-operatives play a significant role in the developing economies of the world and more so in the Asia-Pacific region. Most of these countries are highly agriculture-oriented. Agriculture provides income and employment generation opportunities to a major chunk of the population.

The agricultural production methods are still highly labour-oriented and technically traditional. Technological innovations such as agro-processing, mechanization and post-harvest technology are not only expensive but also slow to be introduced. As a result farmers remain satisfied with whatever economic returns they obtain from their current crops. Infrastructure supportive of agriculture is grossly inadequate. A major portion of the farmer's income is derived from the large quantities of agricultural produce purchased by the government for maintaining buffer food stocks. The farmers, in order to prepare for the next crop and to fulfill some of their personal household needs, are anxious to dispose off their produce right at the time of the harvest itself at whatever prices are offered at the farm gate. Consequently, except for basic marketing, no real value-addition takes place.

FARMERS' NEEDS

The basic needs of the farmers are: farm inputs, marketing of produce, credit and technical guidance. For farm inputs they have to obtain supplies either on their own or through prevalent channels such as co-operatives. The same method is adopted for their marketing and credit needs. Guidance, in the form of farm guidance, farm extension, etc. is provided by the government and, to some extent, by farmers' organisations. Credit remains one of the major requirements because it satisfies farmer's input supply and marketing needs. The farmers' capacity to manage finances for inputs and other needs is low as most of the farmers are smallholders.

Based on the experience of developing countries in the Asia-Pacific region and in the context of the current 'no-subsidies' syndrome, things are gradually becoming difficult and expensive for the farmers. Farmers are now forced to rely on others for cooperation, collaboration and support. An era of 'networking' has thus developed not only in the agricultural sector but also in all other trade-related sectors. It is this method which could insulate the agricultural sector from negative influences.

In order to enable the farmers to break the 'vicious circle' and make agriculture as an economically profitable sector, farmers have no choice but to get together and cooperate and collaborate with others.

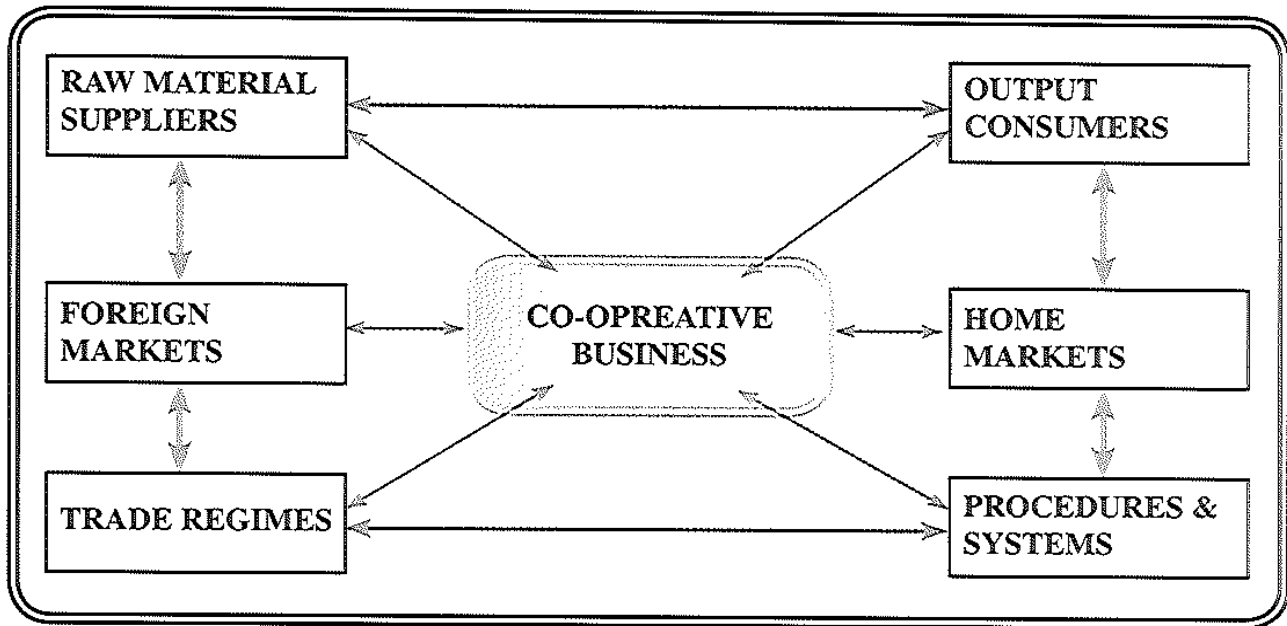


Figure 1: Outreach of co-operative business networking relating to inputs and outputs

NETWORKING AND TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES (TCDC)

Among the various possibilities there are two distinct methods which are generally used to expand cooperation and collaboration. These are business networking and technical cooperation. A 'network' may be defined as the chain of people or institutions working together to achieve common goals. Members of the network help each other by exchanging information, sharing ideas and experiences, using each other's contacts and making joint strategies.

Technical cooperation is generally carried out with the aim of developing cooperation and better understanding among institutions. The Technical Cooperation among Developing Countries (called the TCDC) is supported by United Nations (UN) agencies and other international organisations for the benefit of their affiliates in exchanging technical information, expertise and promoting trade relations. Networking can be instituted among individuals, professionals, institutions and business houses. It is a system under which raw material providers and consumers are identified, their potentials are documented and their capacities and capabilities are listed. Networking can be at the local as well as global level.

THE CO-OPERATIVE NETWORK

The International Co-operative Alliance (ICA), a world level international association of the co-operative movement, is by itself a strong and visible network of co-operatives at

world and regional level. The ICA has been advocating meaningful interaction among the various sectors of co-operatives through its technical projects and policy pronouncements. The following are some of the steps taken by the ICA in the past:

- (i) International co-operative trade development project (in South-East Asia) during the early '60s collected information on export and import potentials. The project was able to put out a Co-operative Trade Directory which listed the names, addresses and potentials of the co-operative organisations willing to import and export commodities;
- (ii) During the early '70s an International Co-operative Trade Organisation (ICTO) was established in Singapore, the main aim of which was to promote trade agreements and actualise international trade business;
- (iii) By the end of '70s another international co-operative trade project was established which was able to promote co-operative business;
- (iv) With the cooperation and collaboration of the United Nations Development Programme and TCDC (Technical Cooperation in Developing Countries), an Asian Project on 'Co-operatives in Asia' was established in 1989. The project was able to document the capacities and capabilities of co-operative organisations in Asia in offering and receiving technical assistance including co-operative business. An international conference on TCDC was held from May 21-26 1990 in New Delhi which was attended by 33 participants representing 10 countries of the region. A total of 82 provisional project proposals were developed during the Bilateral Discussions Meeting out of which 59 projects were mutually agreed to for implementation;
- (v) Several seminars and conferences were conducted by the ICA in the Asia-Pacific Region aimed at promoting international co-operative trade.

Although substantial trade results could not be achieved due to various factors such as personal interests, government policies and complicated international trade procedures, a greater awareness has been generated that without collaboration and cooperation among co-operatives, trade cannot be promoted.

TYPES OF NETWORKS

There are various forms of networking. Some of them relate to data collection and sharing of data on various sectors such as education, training, technical information, environment, governance, civil society and other issues related to social development.

Networking is also resorted to on specific issues relating to certain specific areas for example, SAARC, ASEAN and APEC as well as the key issues connected with these

areas, such as exchange of information on agricultural development, 'one village-one product', drug control and health related issues. Networking is also used by the donor agencies to gather information to implement some of their development projects. Donor agencies have their own agenda and therefore they are interested in collecting information which is suitable to their needs and which is helpful in achieving their objectives. They would need to collect resources to implement their own projects. The types of networks are summarized in Figure 2.

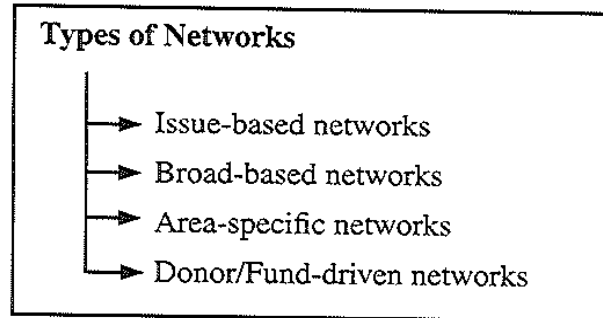


Figure 2: Types of networks

As can be seen from Figure 3, networking can be divided into two distinct categories e.g., area-based networking and subject-oriented networking. Area-based networking revolves around individuals, locations and the international market. The subject-oriented networking is related to technical cooperation (offers and acceptance), expertise exchanges, sharing of information on technology and trade, and actualisation of business.

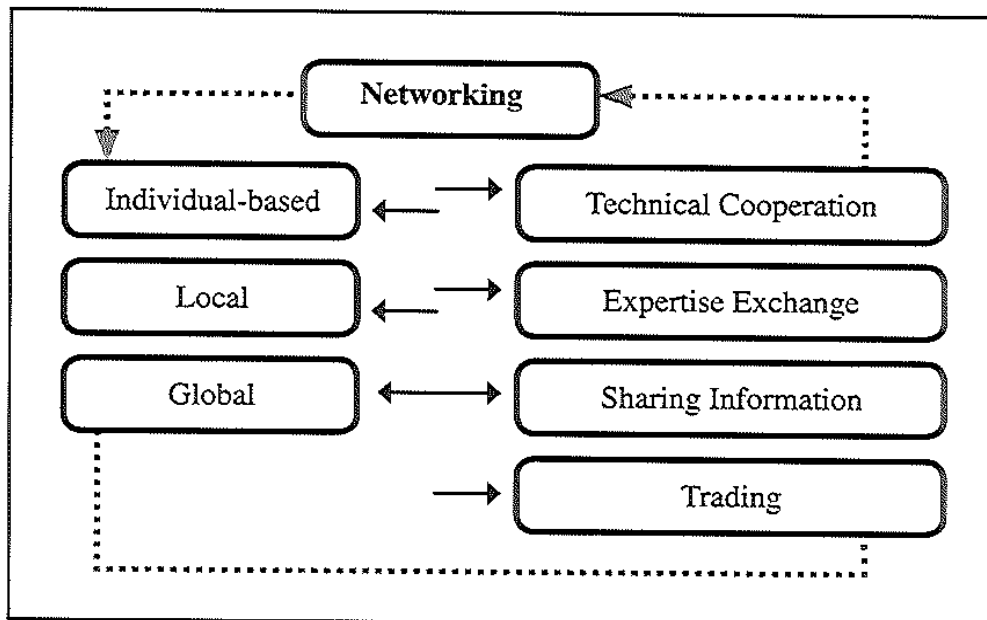


Figure 3: Assimilation process in networking for strengthening of forms of business

COMPONENTS OF NETWORKING

Networking is not a mere digital game using computers and correspondence. It is a systematic scheme based on the use of carefully collected and analysed data. It is not a person-to-person contact. It is a complete whole of the entire environment which revolves around the topic or area on which a network has been developed. It has inputs and outputs and contains scope for review, appraisals and improvements (**Figure 4**).

In these modern times computers, Internet and visiting websites have become essential tools in instituting a meaningful network. These tools are necessary to accumulate and disseminate information on various aspects. Information needs to be collected on suppliers of raw materials and inputs, sources of such inputs, producers and products. Data is to be collected on various linkages – the consumption areas, interested parties, market information and the markets within and outside the country. Information also needs to be collected on methods and techniques used and procedures followed by the suppliers and consumers/users.

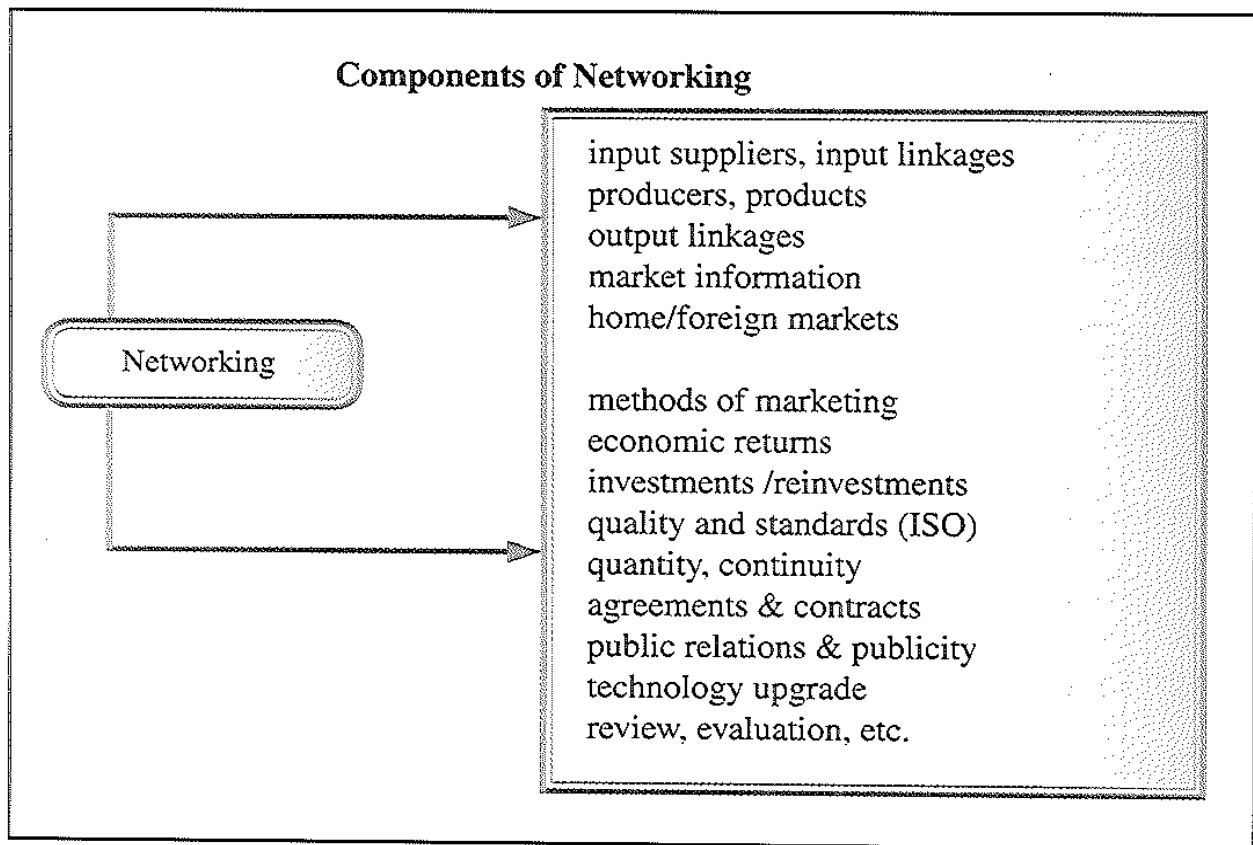


Figure 4: Components of networking

Data is also needed on quality of products, whether they conform to international standards such as the International Standards Organisation (ISO) Certification and Environmental considerations, reliability of the supplies and the types of agreements needed. Information is also needed on the availability of technology to improve products and on the type of add-on facilities, services and expertise that can be obtained as part of a trade agreement. Information should also be available on restrictions on imports and exports (for example, the use of child labour, use of chemical dyes, application of banned farm chemicals and fertilisers, sanitation and hygiene levels and the use of plastics) and the procedures which need to be followed by importers and exporters.

ADVANTAGES OF NETWORKING

Based on the experience of network operators and users, the following are some of the advantages of networking:

- A better flow of ideas from an enhanced skills-base, leading to better results;
- Greater achievement of resources, competencies and cost sharing;
- Reduced duplication which cuts down waste and increases resource use;
- Holistic coverage which satisfies a greater number of end-users needs;
- A consistent vision which reduces confusion among target beneficiaries;
- A more credible end product;
- Enlarged group knowledge and activity;
- Increased confidence and participation;
- A shared pool of skills and resources;
- Impacts government policy;
- More participants benefit from policy changes.

THE WORLD TRADE ORGANISATION (WTO)

The WTO came into existence on January 1 1995. Created as a result of the Uruguay Round of Multilateral Trade Negotiations which took place between 1986 and 1994, it oversees the multilateral trading system embodied in the WTO Agreements. As at August 2001, it had 142 member-countries (accounting for over 90% of world trade) and 31 observers in the process of negotiating membership. About 100 of the Member-Countries are from the developing world. In its preamble, the Marrakesh Agreement Establishing the WTO lists the WTO's objectives as follows:

“raising standards of living and ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment... in a manner consistent with the members' respective needs and concerns at different levels of economic development...”.

The main function of the WTO is to make sure that the movement of international trade is both efficient and reliable. Its other functions include administering the WTO Agreements, acting as a forum for trade negotiations, handling trade disputes, providing assistance and training for developing countries in trade policy issues, monitoring national trade policies and working positively with other international organisations. Its secretariat in Geneva provides the basic framework for administering the international rules governing the trade in goods and services.

The WTO provides a clear set of trade obligations for each of its members and a large structure for ensuring that these obligations are observed. Decisions are usually arrived at by consensus among members and are then ratified by member governments. WTO conducts regular reviews of the trade policies of its members, in part to ensure that trade is governed by transparent regulations and policies. The four biggest traders - the US, European Union, Japan and Canada - come under scrutiny every two years.

Trade Agreements vis-à-vis WTO and International Trade Regimes

Recent agricultural policy developments in developing countries have been characterised by liberalisation and structural adjustment programmes aiming to reduce subsidies, and price and market controls in the agricultural sector. The result was a change in cropping patterns. For example in China, reduced government control on the prices of grains and oilseeds and the end of central planning in the agricultural sector brought about a readjustment of crop plantings away from maize towards more profitable crops, such as oilseeds.

In some countries decreased government interventions has led to increases in production of food ingredients for export, at the expense of local food production for the poorest sectors of the population. For the medium term, the major problem in the poorer developing countries and least developed countries (LDCs) remains the very low per capita income growth, which maintains demand for both food and feed ingredients at below desirable health levels.

The main elements of the Agreement on Agriculture which forms part of the WTO Agreement, include improved market access (through tariffication of non-tariff trade measures, binding of tariffs and their further reduction), reduced domestic support (reduction of production and price subsidies) and increased export competition (reduced export subsidies).

The major impact of the Agreement on Agriculture is on trade in products originating from temperate developed countries, which have the highest domestic support levels, in particular for cereals and livestock products.

ISO CERTIFICATION

It has become necessary these days for any organisation wishing to enter the international trade arena, to conform to the standards laid down by international quality organisations. Securing the ISO Certification is considered another publicity method to put services and products on the market. The buyers are sure of the quality, quantity and frequency of supplies. Some of the generally used ISO Certificates are:

ISO-9000:2000.	Quality Management Systems - Fundamentals and Vocabulary
ISO-9001:2000.	Quality Management Systems - Requirements
ISO-9004:2000.	Quality Management Systems - Guidelines for Performance Improvements

The first three standards were published on Dec 15 2000 by the International Standards Organisation. ISO-9001 focuses on 'effectiveness', that is, doing the right things, whereas ISO-9004 emphasises both 'effectiveness' and 'efficiency', that is doing the right thing in the right way. ISO-14000 is an environmental management standard developed by ISO.

BENEFITS OF REGISTRATION TO ISO-9000

Some of the benefits of securing ISO Certificates are:

Benefits in the marketplace

- Increased customer confidence.
- Enhanced market image as a leading-edge firm.
- Ability to meet bidding requirements - domestic or external.
- Better communication with suppliers.
- Ability to attract major new clients and keep important current clients.
- Decrease in complaints and customer dissatisfaction.
- Ability to keep up with, or stay ahead of, the competition.

Internal benefits

- Better documentation of processes for delivery control.
- More rigorous staff training.
- Greater staff awareness of the factors that produce customer satisfaction.
- Better selection of qualified subcontractors.
- A rational basis for identifying key staff training needs.
- Reinforcement of good work habits.
- Reduction of operational costs as greater efficiencies are achieved.
- Lower expenditure on re-work or last-minute panics.
- Simplification of routine procedures.
- Improved product design, and.
- Increased motivation of employees.

APPLICATION OF TECHNOLOGIES TO ENHANCE OPPORTUNITIES AND TO MEET CHALLENGES

The Internet is, no doubt, a powerful tool for obtaining and disseminating information. Knowing how to use the Internet, and finding information on it is becoming a necessity for anyone in business. It is particularly crucial for small entrepreneurs, who may lack other means of access to information to get training in the use of computers.

Some of the other generally practiced methods of carrying out trade in domestic and international markets are:

E-Commerce

There is no universally accepted definition of the term 'electronic commerce' or 'e-commerce'. However, it is generally used to cover the 'distribution, marketing, sale or delivery of goods and services by electronic means.'

- B2B - Business to Business trade
- B2C - Business to consumer trade
- C2B - consumer to business trade
- C2C - consumer to consumer trade

E-Shopping

Sourcing, selecting and purchasing of goods and services using an electronic medium such as the Internet.

Internet

Internet use is growing faster than the use of any other technology in history. Between 1993 and 1997, the number of computers connected to the Internet rose from 1 million to 20 million. By 2001, this figure had reached over 120 million. The Internet is a powerful tool for trade. Use of the Internet lowers communication costs, reduces the length of time-to-market for goods and services, makes possible the delivery of information in a digital format, reduces transport and distribution costs, and allows for more fully integrated and broader business alliances.

Networking and Clustering

Networking and clustering are essential to expanding businesses and the reach of their organisations. Gathering of information from others and supplying the same to others after processing and categorisation; responding to requests and staying in the market.

Frequent “Buyers’-Sellers’ Meets”

This is yet another form of networking. Such gatherings are not only useful but also absolutely essential in promoting business. Such events can be held in conjunction with national level trade fairs, exhibitions, trade conferences. Adherence to such a concept leads us to the ‘win-win’ situation for everyone involved. Isolated efforts do not pay.

What is the Best Way to Enter a Foreign Market?

There are several strategic choices:

- Export entirely through a virtual presence online. (Internet).
- Export initially to foreigners in your home market;
- Subcontract to an international industry leader;
- Subcontract to an exporter from your country;
- Establish an export office abroad on your own;
- Enter into a strategic partnership with a local firm - the fastest way;
- You can also enter a foreign market by participating in trade shows and missions: carrying out direct mail campaigns and advertising.

PEOPLE AND TECHNOLOGY

The advent of the new millennium has unleashed forces of global competition. It has re-established the supremacy of the market place. In the process, nations are struggling to restructure their economies to meet the emerging needs of development consistent with human and social welfare. In the process, it is increasingly realised that mere acquisition of technology or availability of material resources by itself cannot bring about development. Ultimately it is people who constitute the central fulcrum of development.

Symbiosis between people and technology: While it recognises technology as a dynamic force, it underscores it as a universal solvent. It is not alloy or gold. At best it is an essential input in the process of the production, consumption and distribution cycle. It implies advancement of knowledge which is people-based. And it recognises that the human factor is of vital significance in the context of increasing education levels and changing social values, with a belief that one can borrow technology but not work ethics.

ACTUALISATION OF INTERNATIONAL TRADE

International trade is based on certain principles and is carried out in accordance with certain laid out procedures and practices. The first step is for the seller to publicise its products, its quality and its availability. The pricing should be competitive for the buyer to buy. **Figure 5** explains the steps which are involved in developing a network for the producers and consumers/buyers:

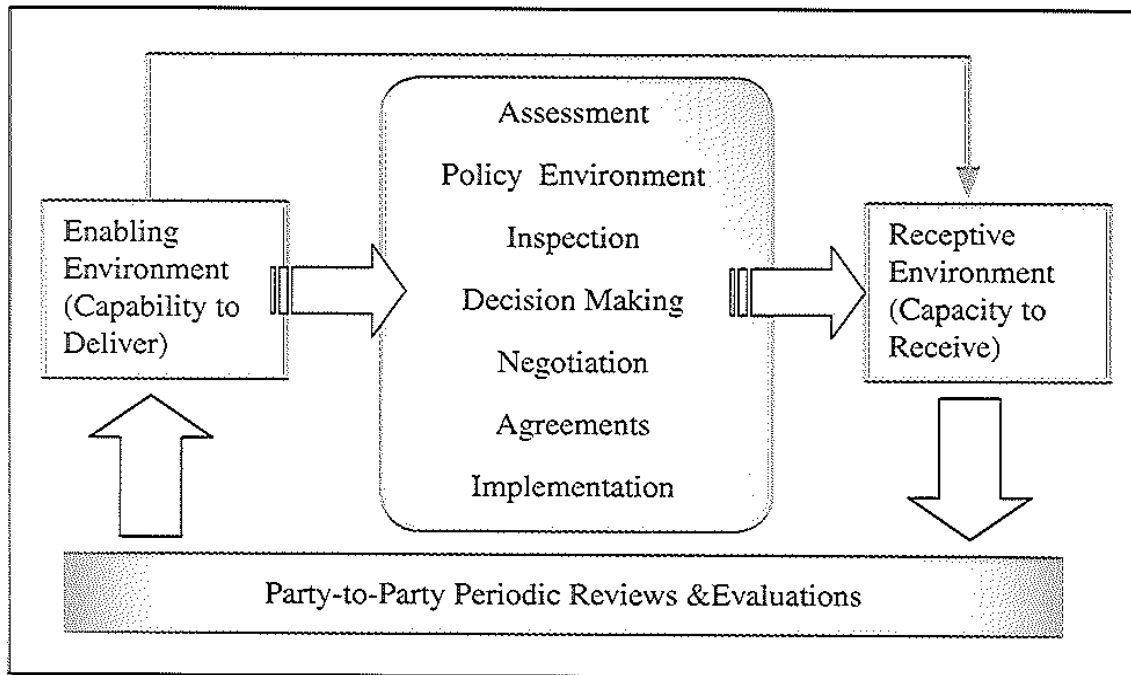


Figure 5: Steps involved in developing networking for producers and consumers

The actualisation of a trade agreement between two parties (in this case Thailand and India) is explained in the following example:

Thailand is a major producer of quality rice in the region. It exports a substantial quantity of rice. Its jasmine fragrant rice is famous. It is short of fertiliser and wishes to import a certain quantity from a neighbouring country. India is a possible source of procurement of chemical fertilizer, where the transportation costs may be lower.

India is a major producer of chemical fertiliser of various types. Two major co-operatives are engaged in the production and distribution of fertiliser. India's requirement for fertiliser is also substantial. Basic raw materials are imported by India. As a national policy India is not in a position to export fertiliser. India has developed sufficient expertise in fertiliser technology and farm extension. India appears to be willing to fulfill some of the fertiliser requirements. **Figure 6** shows the elements to be considered in developing an import and export strategy between both countries.

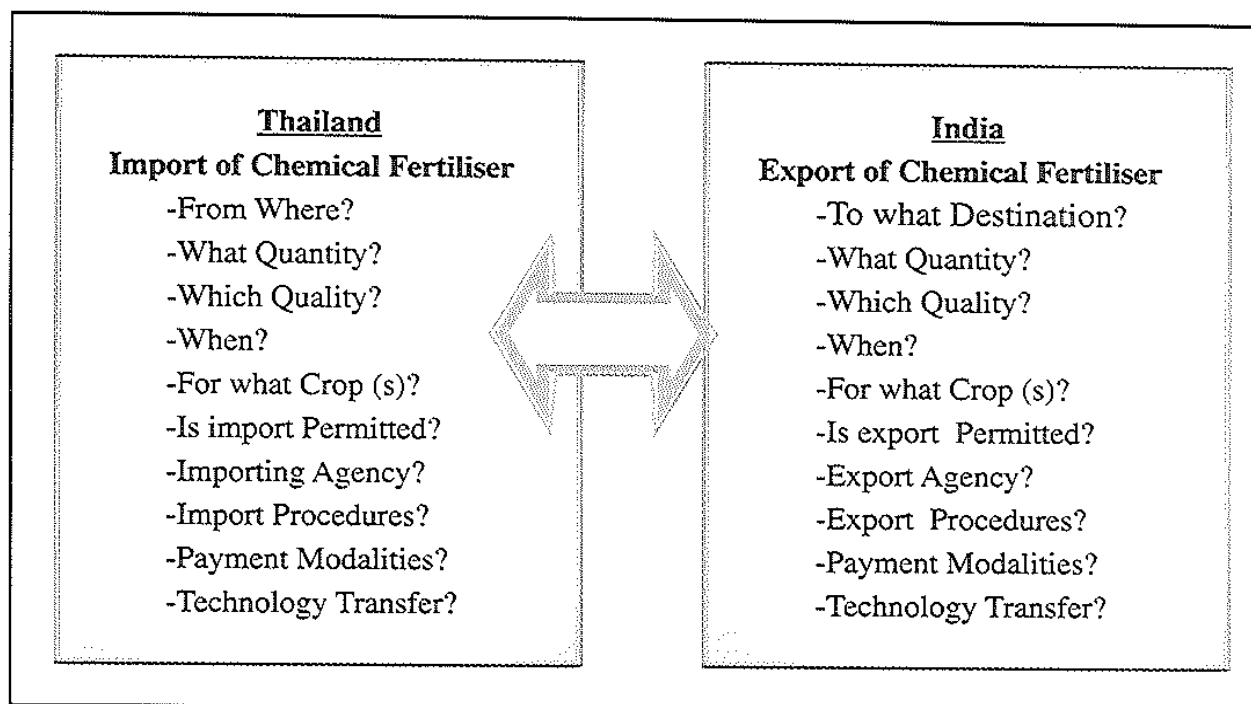


Figure 6: Elements to consider in developing an import/export strategy

The Co-operative League of Thailand (CLT), a national apex of the Co-operative Movement of Thailand, is neither the actual user of the fertiliser, nor is it the actual importer, but it can enter into a Memorandum of Understanding on behalf of its affiliates with the Indian party. The CLT is a member-organisation of the International Co-operative Alliance. The ICA is the network.

The actual importer may be the Agricultural Co-operative Federation of Thailand (ACFT) which is a major supplier of inputs to the farmers. The ACFT is also a major buyer of farmers' products. It is also a major exporter and importer for agricultural co-operatives in the country. In order to provide support to the Co-operative Movement it is expected that the CLT institutes and maintains a data bank. It is also the duty of the CLT to enter into agreements with others on behalf of the Co-operative Movement of Thailand.

The CLT, therefore, with the collaboration of sectoral federations, organises and hosts conferences and meetings to source technical assistance from external agencies for the Movement. In this case, the CLT identifies possible development and trading partners and enters into Memoranda of Understanding and facilitates the finalisation of formal agreements. While sectoral federations do the actual trade, the CLT encourages organisation of reviews and evaluations of such agreements.

Instances are not wanting where such agreements were not entered into. Recently, after holding discussions, the National Co-operative Federation of Nepal (NCF-Nepal) entered into an agreement with the Indian Farmers' Fertiliser Co-operative Limited (IFFCO) to supply chemical fertilisers to Nepal. The Federation is also developing a network with the National Agricultural Co-operative Marketing Federation of India (NAFED-India) to obtain supplies of fertiliser, sugar, onion and other items.

METHODOLOGY TO DEVELOP CONTRACTS AND AGREEMENTS

In order to concretise the process of entering into contracts and agreements, it is necessary that the following steps are taken sufficiently in advance:

- (i) Preparation of the timetable and the process of holding the event;
- (ii) Identification and recruitment of a data analyser/Conference Facilitator;
- (iii) Preparation of a basic proforma on which the information is to be collected from the participating countries/organisations;
- (iv) Collection of data on the import/export of Commodities and Services;
- (v) Documentation of the data and publishing the information for the use of the participants before they actually arrive for the event/conference;
- (vi) Make the collected information available in advance to the expected participating countries/organisations so that they are able to secure the necessary clearances and approvals from their respective authorities;
- (vii) Preparation of a draft of the Memorandum of Understanding/Agreement.

Guidelines on the “Identification of Potentials” can be formulated on the following basis:

During the Conference, it is expected that participating organisations might like to enter into some Agreements, Memoranda of Understanding or Contracts with each other to import/export Commodities and Services.

In order to facilitate such eventualities, it is necessary to collect relevant information from the co-operative organisations in advance. For instance, Thailand might like to import fertiliser and export technology or products relating to ‘One village-One Product’, handicrafts, rice, corn, silk. In the same way other counties might like to import and export commodities and services in which they specialise. For this purpose an Identification of Potentials Proforma has been developed, The sample Pro Forma is shown in Appendix A.

CONCLUSION

Based on the experience of developing countries in the Asia-Pacific countries and in the context of the current ‘no-subsidies’ syndrome, things are gradually becoming difficult and expensive for the farmers. Farmers are now forced to rely on others for cooperation, collaboration and support. An era of ‘networking’ has thus been ushered not only in the agricultural sector but also in all other trade-related sectors. It is this method which could insulate the agricultural sector from negative influences.

Among the various possibilities there are two distinct methods which are generally used to expand cooperation and collaboration to obtain technical and business development benefits. These are business networking and technical cooperation. A ‘network’ may be defined as the chain of people or institutions working together to achieve common goals.

Members of the network help each other by exchanging information, sharing ideas and experiences, using each other's contacts and making joint strategies. There are various forms of networking. Some of them relate to data collection, and sharing of data on various sectors e.g., education, training, technical information, environment, governance, civil society and other issues related to social development.

Networking is not a mere digital game using computers and correspondents. It is a systematic scheme based on the use of carefully collected and analysed data. It is not a person-to-person contact. It is a complete whole of the entire environment which revolves around the topic or area on which a network has been developed. It has inputs and outputs and contains scope for review, appraisals and improvements.

In today's business environment, computers, Internet and websites have become essential tools in installing a meaningful network. These tools are necessary to accumulate and disseminate information on various aspects. Information needs to be collected on suppliers of raw materials and inputs, sources of such inputs, producers and products. Data is to be collected on various linkages – the consumption areas, interested parties, market information and the markets within and outside the country. Information also needs to be collected on methods used by the suppliers and consumers/users.

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Appendix A
Identification of Potentials Proforma
Trade [Import/Export], Exchange [Technology/HRD/others]

- | | |
|----|--|
| 01 | Responding Country |
| 02 | Responding Organisation

-Full name
-Full address
-Phone
-TeleFax
-E-Mail address and Website |
| 03 | Responding Official [contact point for correspondence]

-Name
-Designation
-Telephone
-TeleFax
-E-Mail address and Website |
| 04 | This organisation can PROVIDE/OFFER the following Commodities/ Services: |
| 05 | This organisation is in NEED of the following Commodities/ Services: |
| 06 | Are there any restrictions on IMPORT of Commodities/Services? Please also describe what kind of restrictions there are. |
| 07 | Are there any restrictions on EXPORT of Commodities/Services? Please also describe the kind of restrictions are there. |
| 08 | Briefly describe the legal/financial requirements if an agreement is to be entered into to IMPORT Commodities/Services. |
| 09 | Briefly describe the legal/financial requirements if an agreement is to be entered into to EXPORT Commodities/Services. |
| 10 | Any other information related to the products and services. |