THE GUIDELINES FOR STRENGTHENING AGRICULTURAL COOPERATIVES IN THE ASEAN REGION

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Abstract: The majority of the populations in the Association of Southeast Asian Nations (ASEAN), are small and consists of poverty farmers. The governments of almost all countries in the region employ agricultural cooperatives as a tool to tackle poverty and the problems of farmers. However, many cooperatives in this region have similar problems of how to manage their business in response to members' needs and environmental changes. Data and insightful information were drawn from a series of training courses and workshops during 2013-2015. The main objective of this paper is to present the guidelines for enhance cooperatives organizational capability. The series of learning intervention programs, study visits in both Thailand and Germany, strategic planning, business plan formulation, plan implementation, monitoring and supporting as well lesson learned summarization, have been integrated for building up organizational capability. The outcomes are emerging of new business and services of four pilot cooperatives in Vietnam. The model for strengthening Vietnam's cooperatives can be applied to other countries in the ASEAN region.

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Introduction

Countries in the ASEAN region are located in the same tropical climate zone, a majority of the population are small and consists of farmers (except for Singapore and Brunei). Farmers in each country often have similar problems, i.e., high production costs, low yield per rai (hectare), fluctuation of crop prices and being exploited by market forces. Moreover, they also face climate variability.

The governments of almost all countries in the region employs agricultural cooperatives as a tool to tackle poverty and the problems of farmers mentioned above. Support is rendered to encourage farmers to unite in establishing agricultural cooperatives. The governments then support agricultural cooperatives to act as a coordinator with different agencies, to promote the development of production capacities

of farmers by means of provision of loans, production factors and other agricultural services, as well as to act as an intermediary in the collection of member products for processing and distribution in order to help raise crop prices and prevent them from being exploited by the middlemen. Agricultural cooperatives are therefore an agricultural institution that plays a key role in the economic development and livelihood improvement of farmers.

For Thailand, His Majesty the King presented the concept of sufficiency economy as a guideline for the country's economic development, which is consistent with the principles and values of cooperatives.

In this context, cooperatives could be called the practical part of the sufficiency economy. They focus on promoting the carrying out of occupation and livelihood on the principle of self-reliance on the middle path, practicing reasonableness and moderation, being based on knowledge and capacities that are in line with existing economic and social conditions, and attaching importance on equitable allocation of resources and surpluses. The royal development projects are located all over the country, and all use cooperatives as a tool for development.

However, whether and how well cooperatives are able to serve the mentioned functions depends on their capacities in the management of businesses. Hence, capacity development of cooperatives to enhance business potential and competitiveness is an important action to be taken by cooperatives in every country on grounds of driving forces including change of circumstances, chance of survival of cooperatives themselves, as well as allocation of benefits to members based on each cooperative identity.

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Research methodology

This paper is summarized lessons learned from the project “Strengthening Cooperatives in Central Vietnam” under the Vietnamese-Thai-German Trilateral Cooperation and the research project on the “Collaboration for Agricultural Cooperative Development in ASEAN Countries.” Data and insightful information were drawn from series of training courses and workshops, and captured through participatory learning and observation in 2013-2015. Case study research has been applied to as a research methodology. The 12 cooperatives in 4 provinces have become pilot models on strategic planning and management for further outreach. 4 cooperatives have successfully carried out new activities following strategic plan, their visions and missions. These model cooperatives are Hoa Thang 2 (in Phu Yen), Binh Thanh Dong Agricultural Cooperative (in Quangngai), Phu Dong Agricultural Cooperative (in Quangnam) and Phu Ho Cooperative (in Thua Thien Hue).

The conceptual framework for strengthening Cooperatives

Marquardt (1996) argued that organizations of all kinds in the world, are continuously facing changes due to rapidly changing economic, social and cultural circumstances, as well as advancement of science and technology. Cooperatives mostly are small and medium enterprise (SMEs), related to business operations, being part of the world’s economy. They need to adapt themselves for higher efficiency and effectiveness, as well as develop capabilities to learn and adapt in order to be competitive and survive under continuously changing circumstances.

Mazzarol et al. (2012) proposed guidelines for capacity development of cooperatives and applied to studied business capacity development of producer cooperatives in Australia and France with respect to their competitiveness. It was found that network building between cooperatives could help enhance the potential of access to external resources, exchange of knowledge and useful information and efficiency of business operations of cooperatives.

To develop cooperatives in developing country, the governments’ role is a key success factor (Changjian et al., 2011). For example, the Cooperative Promotion Department (CPD) of Thailand has formulated a strategy to strengthen cooperatives in Thailand in terms of cooperative management, building of business networks and cultivating of cooperative principles and values for all concerned.

Key components to be considered when strengthening cooperatives include: (shown in Figure 1)

1. Antecedents refers to internal and external basic components of an organization that have an impact on the success of cooperatives, comprising:

a. Organization features of cooperatives are resources that represent potentials of cooperatives, such as capabilities of the board, the strength of team work, networking etc. Each cooperative has different existing resources. Cooperatives with good quality of existing resources can be easily strengthened.

b. Government policy and support are considered as major supporting factors that have an effect on the strength of cooperatives in each country. Any country which has a policy, system and mechanism to support cooperatives fully is likely to be able to advance cooperative development quickly.

c. The external environment has an effect on the operations of cooperatives, such as integration of the ASEAN Economic Community and competition condition.

2. The process refers to the management process that has an effect on the success of cooperatives. How successful a cooperative will be, depends on its efficiency in process management that is suitable for it and in line with the cooperative’s resources. As mentioned earlier, important processes that have an effect on the success of cooperatives include:

a. Strategic planning process

b. Emotional bond and trust building process

c. Business management process of cooperatives

3. Outcome is a result of the combination between existing resources and management process that will determine how far members and cooperatives will be benefited.

a. Tangible results, such as benefits of members, profits, dividends, and incomes of members

b. Intangible results, such as confidence and trust in cooperatives

However, in order to facilitate the design of activities to strengthen and develop various components, criteria for each component have been set to enable co-operators to design a set of activities that create quality of different components for strengthening capacities of cooperatives and work well together in systematically, hereafter referred to as the model for strengthening cooperatives.

The Model for strengthening cooperatives

The model for strengthening cooperatives is as “Organization Development” for cooperatives. It represents a continuous and dynamic cycle of learning and adaptation because strength of cooperatives is closely linked to steadily changing external factors. The ability to learn and adapt to the changing circumstances will enable cooperatives to survive and progress. Key components for project implementation are as follows:

Component 1: Project Design.

The project design involves the design of working group/staff structure, the allocation of budgets, the design of project activities, the design of coordination mechanism and system, as well as the design of regulatory mechanisms for the project management with a view to achieving the project objectives.

Component 2: Learning Intervention Programme consist of:

- Training and study visits on cooperative development in both Germany and Thailand
- Training on the environmentally-friendly green business concept
- Strategic planning workshop of pilot cooperatives
- Business planning workshop of pilot cooperatives

Component 3: Action Learning

Pilot cooperatives had the opportunity to use their knowledge and skills gained from the project learning processes to drive forward strategic and business plans of cooperatives, which led to a successful development or improvement of cooperatives to a certain extent.

Component 4: Monitoring, Support and Drawing of Lessons Learned

Activities to be carried out by the project working group consisting of Vietnamese, Thai and German sides involve monitoring, rendering of support and consultancy services, evaluation of project success and changes occurred to cooperatives, and summarizing of major lessons learned from the projects.

Information gained is used for the preparation of a manual on the guidelines for strengthening cooperatives. The model for strengthening cooperatives are shown in Figure 2.

Figure 2: The model for Strengthening Cooperatives

Organizing the learning processes for cooperatives and the development of cooperatives in Vietnam

In strengthening cooperatives in Vietnam, importance should be attached to the organizing of learning processes, both in terms of theory and learning from direct experiences. This includes study visits, learning from case studies, strategic planning and business planning workshops, translation of the plans into action, as well as the drawing of lessons learned from the project. The organizing of learning processes can be divided into 2 modules as follows:

Module 1: Study visits in Germany and Thailand

The purpose of the study visits was to provide the working group and participating cooperatives the opportunity to learn from cooperative models of both countries on how they were developed and made progress, what the management processes are like, what businesses and services they offer and how problems are solved. The knowledge gained has been applied for setting goals and procedures for the development of cooperatives in Vietnam.

Module 2: Learning about the concepts, procedures and major tools for strengthening the cooperatives. The project has organized workshops to provide knowledge and skills related to the management concepts and procedures, as well as major tools for developing businesses/services of cooperatives. The learning processes are shown in Table 1.

Change of 4 Pilot Cooperatives

Cooperatives in 4 provinces have become pilot models on strategic planning and management for further outreach. 4 cooperatives have successfully carried out new activities following a strategic plan, their visions and missions. These model cooperatives are Hoa Thang 2 Agricultural Cooperative (in Phu Yen), Binh Thanh Dong Agricultural Cooperative (in Quangngai), Phu Dong Agricultural Cooperative (in Quangnam) and Phu Ho Cooperative (in Thua Thien Hue). The change of the 4 cooperatives are as follow:

Hoa Thang 2 Agricultural Cooperative

A majority of members of the Hoa Thang 2 Cooperative are engaged in growing rice and producing handicrafts in an irrigated area where rice can be grown throughout the year. The cooperative has expanded its business to collect paddy so that its members can sell paddy at a good price and not be exploited by the middlemen. It will expand its business to process paddy in the future. At the same time, the cooperative also aims to encourage members to grow organic rice in the area of 10 hectares (60 rai). These new cultivation techniques help increase the income of participating members by 10%, which is in line with the regional and international trend of growing organic rice and doing organic farming to avoid the intense competition in the general paddy market. The businesses operated by the cooperative can therefore be considered as well responding to the problems of the farmers. At the same time, these represent a good strategy of the cooperative for their market positioning based on their potentials. However, in order to operate the paddy collection business effectively, the cooperative will need to educate its personnel about paddy collection, paddy and rice markets.

Table 1: Organizing the learning processes for the development of cooperatives in Vietnam		
Training Workshop	Objectives	Training Methodology
Training Workshop on “Environment and Business”	<ol style="list-style-type: none"> 1) To create knowledge, understanding and awareness of environmental issues and their impacts on the members and the cooperatives 2) To prompt the cooperatives to apply the knowledge gained for improving production of its members and improving businesses of the cooperatives that are environmentally-friendly 	Training processes were designed to be a participatory learning, including brainstorming, sharing of experiences of the participants, provision of environmental concepts, practice of designing the guidelines for promoting the production of the members and business operations of the cooperatives that are environmentally-friendly.
Training Workshop on “Strategic Planning and Management”	<ol style="list-style-type: none"> 1) To build a team of facilitators with skills at carrying out strategic planning of cooperatives in Vietnam 2) To formulate strategic plans of pilot cooperatives 	A participatory learning process is used to establish understanding about the concept and importance of strategic plans in cooperative management and to practice the actual process of strategic planning of each cooperative.
Training Workshop on and business plans for Product/Service Marketing”	<ol style="list-style-type: none"> 1) To strengthen knowledge and skills of participants on business plan and marketing plan development in general 2) To draft the product/service marketing plan and business plan using pilot cooperatives as case studies 3) To enhance participants’ capacity in providing the consultancy service on business plan and marketing plan development for cooperatives 	<p>The training process is a participatory learning process with learning on principles and procedures and practice of business planning and of being a facilitator. The main content of the business planning process includes:</p> <ol style="list-style-type: none"> 1) Principle and procedure for business planning 2) Practice of business planning for the four pilot cooperatives 3) Principle and procedure for being a facilitator in the business planning
Source: Author		

Phu Ho Cooperative

The Phu Ho Cooperative has rice-growing members and rice mills. In the past, the cooperative collected paddy and sent it to private rice mills. After joining the project, the cooperative has developed its businesses to process and distribute rice under the brand “Phu Ho,” from which its members greatly benefit because this raises the price of paddy of the members and brings to the

consumers fairly-priced rice of the cooperative. At present, the first five tons of rice have been available for sales in the local market. In the future, the cooperative plans to produce 100 tons of Phu Ho rice per year, accounting for an income of 400 million VND. This demonstrates the effectiveness of creating brand identity of products, packaging design and efficient marketing planning. These factors will enable local products to be competitive in the upcoming ASEAN Economic Community.

Phu Dong Agricultural Cooperative

The Phu Dong Cooperative is located in a rural, semi-urban area where members are decreasingly employed in agriculture because they changed to another occupation. As a result, there is a shortage of agricultural labor. The cooperative has therefore developed businesses to offer agricultural services and supplementary occupations to its members, such as growing of Lingzhi mushroom etc. The cooperative also offers a new service in controlling the use of chemicals in rice fields, leading to a safe and cost-saving cultivation for the members. Within three months, the cooperative could generate an income of 8 million VND from this service while its members could reduce expenditure by 600,000 VND per hectare. Food safety and health is therefore a key factor for economic growth in agriculture in Vietnam and in this region.

Binh Thanh Dong Agricultural Cooperative

The Binh Thanh Dong Cooperative strives to increase the number of its members and its capital and has therefore organized a training program for its members on the cooperative principles and procedures. It has also developed agricultural services, such as preparing cultivated areas. From organizing the activity to develop cooperative membership system, the increase of the member base increased the amount of working capital for cooperative management. As a result, the cooperative's investment capital increased by 200 million VND. This is important in maintaining the cooperative values, as demonstrated in the examples of Thailand and Germany.

Although the four cooperative models aim at developing different businesses and services, the intention to strengthen their cooperatives is obvious. Activities towards this end include provision of knowledge and understanding about cooperatives to expand the member base and businesses and services of cooperatives with a view to better responding to the problems and needs of cooperative members and to concretely providing cooperative benefits to the members. This again builds confidence and trust and causes members to cooperate with their cooperatives. However, the cooperatives will need to develop the capacities of their personnel in the area of management of new businesses/services created by the cooperatives. In this way, they can be successful in the long term and thus be genuinely strengthened.

The four cooperative models are still in the initial stage of driving forward their business plans. Business success and tangible benefits for the cooperatives and members need to be further evaluated for another two to three years.

Conclusion

Strengthening cooperatives involves capacity building to learn, adapt and be competitive in order that cooperatives will be able to operate business in a way to respond to challenges and needs of the members.

Key components in strengthening cooperatives to be considered by co-operators are existing resources, design of the learning process and outcomes of the learning process. As regards the strengthening of cooperatives using the dynamic model, cooperatives will need to learn from the previous implementation and summarize lessons learned for use in the design of activities to continuously develop cooperatives.

Lessons learned and good practices could be drawn from the case studies of the "Strengthening Cooperatives and SMEs in Central Vietnam" project as follows:

1. The cooperative movement in central Vietnam, staff, and cooperative members benefit directly from the project while the partners from Thailand and Vietnam harness advantages in terms of cross-cultural knowledge and experience of developing cooperatives. For working across cultures, understanding the needs to be established about political, economic, social, cultural conditions and factors and belief of each country are important.

2. Working on the mentioned project involves an application of technical knowledge to develop cooperatives in practice. The project has generated knowledge in the development of cooperatives in the context of central Vietnam, which can be applied to other regions in the future. The project also attaches importance to the cycle of quality, based on which steps of analysis, development design, testing and evaluation of the change occurred to the target group in the short, medium, and long term take place.

3. The learning processes of the project are organized step-by-step. That is, the knowledge about sustainable and environmentally-friendly businesses is first provided, which is a major trend, followed by strategic planning, using the strategic plan for business planning, and extension of knowledge through study visits to cooperatives in Germany and Thailand in order to apply concepts and knowledge from abroad to cooperatives in Vietnam.

4. The process of developing knowledge and skills based on learning from hands-on practice (Action Learning) was in place so that knowledge gained can be applied in reality. For example, the process of strategic and business planning has provided the working teams of cooperatives in Vietnam with skills of a facilitator and a consultant for further outreach after completion of the project.

5. The four cooperative models, which focus on different development objects, are all based on the development of businesses and services that responds to the needs of their members. Other cooperatives may choose a development model that appropriately suits their context.

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