Management System of Guinea’s Cooperative Farming Organizations and its Economic and Social Merits

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1. Introduction
Guinea’s agriculture suffers no shortage of land or labor; thus capital inputs and management are the most determining factors in the production process. On the other hand, cooperative farming organizations (herein abbreviated as “co-ops”) are prominent among the farming systems, for individual households face serious limitations regarding capital inputs and management; and public farming organizations, regarding the misuse of funds, especially high managerial costs (Bah et al., 1996).

The purpose of this study, which is based on data from government records and case studies conducted in the Middle Guinea region, is to analyze management, one of the factors most determining production, as it is performed in co-ops, the prominent farming organizations. The aim is to clarify the organization and management system of co-ops, ascertain the economic and social merits pertaining to that management system, and develop suggestions likely to improve its efficiency, after examining the critical problems it faces. These are discussed in the next three sections, respectively.

2. Functional Structure and Management System
(1) Functional Structure
The shift to a market-oriented economy in 1984 engendered an explosion of co-ops, considered an essential economic development tool, particularly for attracting private and foreign investors, as a type of farm business. There were 840 co-ops registered between 1984 and 1995, and hundreds of non-registered ones (Bah, 1995). They may be classified into production and support co-ops (Fig. 1).

![Figure 1 Functional Structure of Guinea's Cooperative Farming Organizations](image)

Production co-ops include cooperative societies (CS), farming groups (FG), and village associations (VA). CSs are defined as associations of persons having common economic and social interests and operating with the objectives of cost reduction and product improvement. FGs are usually smaller organizations specialized in one activity, but once registered they assume the status of legal entity like CSs. VAs are voluntary unions of households generally conducting development activities besides farming and managed in collaboration with public authorities. CSs (and their unions and federations)
come under the Ministry of the Interior and Security, which is in charge of the cooperative movement, whereas FGs and VAs are under the authority of prefectures or the Ministry of Agriculture and Forestry. Most farmers who join production co-ops conduct other activities individually, for co-ops are often oriented in cash-generating activities such as vegetable gardening, livestock farming, etc.

Support co-ops are not directly involved in the production process. Their main role is to provide credits, farming goods, and technical counseling for peasants and to market their products. Not all production co-ops consider membership in support co-ops. Inversely the latter are directly joined by some individual farmers. National farmers’ confederations are projected but none is yet established.

There is an intermediate type of co-op specialized in marketing. These co-ops’ involvement in the production process is limited to post-harvest operations (transports, husking of cereals, etc.). Also, they do not supply farming commodities as support co-ops do. Moreover, they handle other goods such as imported rice. Due to space limitation this type is not dealt with further in the paper.

(2) Structure and Workings of the Co-op Management System

1) Cooperative Societies: According to the Code of Economic Activities, the CS’s general assembly, consisting of all members each having one vote regardless of the shares held, should be the supreme authority. It should elect an administrative council (AC) and a control commission (CC). The AC members should appoint among themselves a top manager (president), and an administrative director to run the organization according to its statute (Fig. 2).

![Figure 2 Management System of Guinea’s Cooperative Farming Organizations](image)

The above law also states that one share of the capital should be fixed at a minimum of 10,000 Guinean Francs, “GNF” (see Table 2 for exchange rate), and that a single member should not hold more than 20% of shares. Regarding profits, 15% should be allocated to a reserve fund, and the distribution of the remainder should be decided by the general assembly, based on proposal of the AC. The law suggests, however, that 5% of profits be used for members’ educational activities.

A co-op based in Labé served to illustrate CSs’ internal rules and management system. The “C. Co-op,” which produces vegetables (pimento, beans, etc.) on three ha and conducts marketing and financial transactions, was created in 1990 by 23 members with a capital of 4.5 million GNF. Its AC consists of six members (president, vice-president, and four secretaries), with a managing committee of three members. The CC includes an auditor, a technical advisor and a reporter. Both AC and CC members (who are mostly qualified persons) are elected for three years, but reelected progressively, one third each year. Profits are disposed of as follows: 15% for the official reserve fund, 10% for capital increase, 10% as reserve for risks, and 65% distributed as rebates to members.

2) Farming Groups: They usually adopt CSs’ management system, which they simplify sometimes. First, a large-scale FG was investigated. The “L. Group,” a Labé-based dairy and beef-cattle farm created in 1994 with a capital of 265 million GNF and a project to operate 160 heads of cattle on 60 km², has 204 member contributors and employs 25 workers. Its AC, elected for two years, consists of 13 members (president, vice-president and 11 secretaries) most of whom are qualified persons.
Five small-size FGs were also investigated (Table 1). The three most profitable, the “T. Women’s Group,” the “D. Men’s Group,” and the “D. M. Group”—the first two created in 1991 and the other, in 1986—have 25, 16, and 22 members, and produce vegetables (potato, tomato, cabbage, carrot, and onion) on 125, 390, and 106 a, respectively. Their managing committees consist of five members each. Two of the top managers have elementary qualification, but the other is illiterate.

3) Village Associations: In Middle Guinea VAs are jointly sponsored by a national project and the UN’s International Fund for Agricultural Development, whose support includes a financial aid in the form of farm credits for an amount equal to members’ total contributions in each VA. Under that sponsorship a VA should include at least 15 households and be involved, besides farming, in various development activities for the village (education, environment protection, health, etc.). The management function is performed by a “credit administration” committee of four members (president, treasurer and two secretaries) and a “development” team of six members in charge of technical counseling. The two organs work in collaboration with the local authorities and with the sponsors.

4) Support Co-ops: The Middle Guinea federation, “FPFD,” and its unions are adequate examples of support co-ops, which exist in each of the four regions of the country. Created in 1992, the FPFD has two main unions, the potato and onion producers’ unions, composed of 19 and 93 FGs, respectively. It is run by a central administrative bureau of five members, supported by prefectural bureaus of six members each. Also, unions have their administrative bureaus; and FGs, their autonomous ACs.

3. Economic and Social Merits

Table 1 Income Analysis for Five Vegetable Production Groups (GNF, %)

<table>
<thead>
<tr>
<th></th>
<th>T. Group</th>
<th>D. Group</th>
<th>D. M Group</th>
<th>W. Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Sales</td>
<td>10,152,925</td>
<td>1,396,700</td>
<td>857,800</td>
<td>252,000</td>
</tr>
<tr>
<td>Expenses</td>
<td>4,740,134</td>
<td>667,014</td>
<td>364,750</td>
<td>180,025</td>
</tr>
<tr>
<td>Depreciation</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>18,785</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>5,412,791</td>
<td>729,686</td>
<td>493,050</td>
<td>71,975</td>
</tr>
<tr>
<td>Return on Sales</td>
<td>53.3</td>
<td>52.2</td>
<td>57.5</td>
<td>28.6</td>
</tr>
</tbody>
</table>

Source: The groups’ 1993-94 income statements

Table 2 Income Analysis for a Co-op’s Nonfarm Branch (GNF, %)

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Gross Income</td>
<td>1,501,940</td>
<td>3,432,364</td>
<td>3,469,995</td>
<td>1,314,000</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>198,000</td>
<td>1,290,036</td>
<td>1,361,803</td>
<td>587,500</td>
</tr>
<tr>
<td>Net Profit</td>
<td>1,303,940</td>
<td>2,142,328</td>
<td>2,108,192</td>
<td>726,500</td>
</tr>
<tr>
<td>Return on sales</td>
<td>86.8</td>
<td>62.4</td>
<td>60.8</td>
<td>55.3</td>
</tr>
</tbody>
</table>

Source: Note by the top manager
Note: 1 US$ = GNF746, 883, 953, and 977 in 1991-94 respectively

1. Economic Merits

1) Production Efficiency: The income analysis in Table 1 shows that in general the groups operated efficiently. The returns on sales (gross profit / gross income) for three of them were 52-57%, meaning that not even half of sales were absorbed in expenses. However, these expenses do not include parts of members’ labor costs.

2) High Income for Members: If the T. Group’s 5.4 million gross profit, for instance, is entirely distributed to the 25 members of the group, the daily income for each of them (considering the estimated 18.5 working days a farmer spends in potato production on five a) would be 11,703 GNF, or sixfold the 1,750 GNF average daily wage practically applied for an ordinary farm laborer.

3) Low Production Costs: Even if members’ labor costs are estimated on a full-time basis and added to gross expenses, the T. Group’s potato production costs, for instance, would be 26.7% lower than the national average (5.55 million GNF for 26.6 tons, or 209 GNF/kg, to be compared with 285 GNF/kg).

4) Nonfarm Activities: Some co-ops additionally conduct nonfarm activities, such as C. Co-op’s marketing of daily goods and lending the deposit money with interest. The 55.3-86.8% return on sales shows the role of this activity in the co-op’s overall profitability (Table 2).

5) Efficient Management at Low Costs: In general the managerial function is performed on a voluntary basis, as in the case of C. Co-op in which only capital and labor contributions are considered in distributing profits to members. Yet the resourcefulness of that co-op’s managers was evident, for instance, in conducting the above mentioned nonfarm activities (see also Bah and Hiratsuka, 1996).
6) External Supports: Co-ops are given various supports from government and non-governmental organizations upon designing likely profitable projects. For instance, about 94% of L. Group’s initial capital was a nonrefundable loan. Moreover, co-ops are tax-exempt for their first ten years.

(2) Social Merits

1) Education: Most co-ops conduct educational activities for members, out of their own plans (VAs in Middle Guinea) or official regulations: the suggested 5% reserve for educational activities in government regulations becomes mandatory when the reserve fund reaches five times CSs’ initial capital.

2) Members’ Interrelationships: They are usually extended to other aspects of social life. Some FGs even allocate part of their profits to a reserve fund for “social affairs,” such as weddings, births and illnesses of their members’ families.

3) Enlivening of Rural Areas: As an example, Timbi-Madina, the base of the FPFD and its unions, has become a lively place, mainly due to the marketing and other activities of these co-ops—this may be considered an economic merit as well (Bah et al.).

4) Effects of the Decision-Making System: The democratic system has positive effects on members’ personal feelings, which sustains their commitment to the co-op—this is also an economic merit.

4. Problems and Suggestions

The first type of problems facing co-ops pertain mostly to the economic and educational environment, which makes difficult the acquisition and use of farm machinery, the supply of commodities and marketing of farm products, the financial management, the administrative inspections necessary to insure the implementation of government regulations, etc. Regarding machinery, for instance, depreciation represented around 10% of total expenses for the two less profitable groups in Table 1, and these expenses could not be fully incorporated in competitive sale prices.

The management system has its own weaknesses as well. The major ones concern managers’ ability and the coordination of the system nationwide. The economic or social status of individuals is often privileged for the selection of managers, as in D.M Group, where the oldest member is automatically an executive. Also, replacement elections are not always conducted, which results in a monopoly of power (Bah, 1995). Moreover, the coordination of co-ops is deficient at the national level.

To solve these problems and improve the efficiency of the co-ops’ management system, we suggest that government and co-op leaders: (1) combine general measures for the country’s development with more direct financial supports (primarily for the acquisition of farm machinery), guidance, and administrative inspections to co-ops; (2) develop systems for rational use of machinery such as the practices of joint use or custom work (Bah and Hiratsuka, 1996); (3) develop the cooperative movement nationwide by encouraging membership and coordinating the system beyond the regional borders through a national confederation; and (4) bring all types of co-op under the authority of the same ministry and clarify the differences among them and with other forms of business farms.

References


Fédération des Paysans du Foutah Djallon, 1994, report.
