

S.3 COMMERCE

COOPERATIVES SOCIETIES

a) MEANING OF A COOPERATIVE SOCIETY

This is a voluntary organization established by a group of people to achieve a common goal. Members can cooperate as producers' consumers or savers and anybody is free to join or to leave the society.

b) FEATURES OF A COOPERATIVE SOCIETY

- i) It is a voluntary organization. Anybody can join or leave the society irrespective of the sex, tribe and region.
- ii) The minimum membership is ten and there is no maximum.
- iii) The services are to the members who are forming it.
- iv) Capital raised in from annual subscriptions or membership fee from members.
- v) The business has limited Liability. Members cannot lose their private property in case of business liabilities.
- vi) Cooperatives are registered under the Industrial Act.
- vii) It has legal entity. It exists on its own. For example it can own property and enter into contracts.
- viii) Ownership and control of the business is a joint responsibility i.e. each member has equal say/voting right.
- ix) Management is a responsibility of a management committee elected by members from among themselves on the basis of one man one vote'
- x) Profits are shared according to the role played by each member's business/role to the society.

c) PRINCIPLES OF COOPERATIVE SOCIETIES

Operation of cooperatives is governed by the following fundamentals rules and regulations.

- i) **Open and Voluntary Membership**

This means the membership to a cooperative Society is open to anybody who fulfils the by-laws of the Society. Therefore anybody is free to join or to leave the society irrespective of the sex, tribe, religion and political background.

ii) **Democratic Administration**

This states that the affairs of a Cooperative Society should be based on democracy on the basis of 'One man one Vote'. Each member should give only one vote regardless of his shares in the society.

iii) **Dividend/share of profits**

This states that any profits/dividends realized by the society should be distributed with members according to each member's contribution to the society (Role played).

iv) **Limited interest on share capital**

This means that a fixed rate of interest should be given to members according to capital contribution. The rate should be known to all members.

v) **Cooperative Education**

This means that the Cooperative Society should educate its members about its activities and objectives by organizing seminars and workshops.

vi) **Cooperation with other societies.**

This principle means that there should be cooperation within the society and between one cooperative society and other cooperatives at both local and international levels since Cooperatives have a lot in common and the members are equal.

d) **TYPES OF COOPERATIVE SOCIETIES**

The major types of cooperative Societies include the following.

- (i) Producers Cooperative Societies
- (ii) Consumers Cooperative Societies
- (iii) Savings and Credit Cooperative Societies SACCOs)

(i) **PRODUCERS COOPERATIVE SOCIETIES**

A producer's cooperative Society is a voluntary organization established by a group of producers mainly farmers dealing in similar produce to enable them market their produce collectively at a relatively high price.

- Members collect, store and process the produce collectively before marketing it.
- Profits are shared according to each member's sales through the society.

FUNCTIONS OF PRODUCERS COOPERATIVE SOCIETIES

- They buy and assist members to market their produce at fair prices.
- They help members to process and grade their produce hence adding value.
- They ensure high quality of products.
- They provide members with financial assistance in form of short term loans.
- They provide educational services to members. For example about better methods of production.
- They provide storage facilities to members such as sacks. They can also store produce on behalf of members until it is sold off.
- They collect and transport members produce from their stores to the market centre.
- They provide members with tools, seeds, fertilizers, insecticides and tractors for hiring at subsidized rates.
- They ensure that profit made is equally shared among members according to the role played by each member.
- They provide a link between farmers and the Government. For example NAADS extends assistance to organized farmers through producers Cooperatives.
- They assist members to enjoy stable prices for their produce by regulating supply.

ii) CONSUMERS COOPERATIVE SOCIETIES

This is voluntary organization established by a group of consumers to enable them buy or supply goods to themselves at lower prices

- Goods are supplied to members cheaply and to non members they are supplied expensively.

- Profits are shared according to purchases made by each member from the society

FUNCTIONS CONSUMERS COOPERATIVE SOCIETIES

- They supply a Variety of consumer goods to members from different producers.
- They enable members to buy high quality products.
- Members obtain consumer goods at reduced prices.
- Non members are charged highly for the goods and members are given profits on the purchase made.
- They bring goods within easy access to the members hence reducing transport costs.
- They protect members from exploitation by middlemen by enabling them to buy directly from the producers.
- The society encourages members to save money and buys valuable items such as land, motorcycles and vehicles.
- They provide a channel through which consumers can suggest improvement in quality of products and to know the use of the various products.
- It trains members on how to manage business since all members are allowed to participate

(iv) Savings and Credit Cooperative Societies SACCOs)

These are Cooperative Societies established by a group of people to mobilize savings and give financial assistance to members in form of short-term loans when in need.

For example, Ndejje Teachers' SACCO and Luweero Teachers' SACCO.

- ❖ Profits are shared according to each member's Savings in the Society.

FUNCTIONS OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES SACCOS)

- ✚ They enable people with small incomes to save.
- ✚ They provide loans to members at reasonable rates, payments period and less demanding collateral securities.
- ✚ They educate members on financial matters and in the field of investment.
- ✚ They act as a channel through which government can extend financial assistance to the members.
- ✚ Sometimes they can sell valuable items to members such as land, vehicle etc under credit terms.
- ✚ Members are given interest on their savings.

PRIMARY COOPERATIVES

These are Cooperative Societies which comprise of members drawn from a small geographical area, or one company. Their membership consists of individuals. For example. Ndejje Teachers' SACCO.

SECONDARY COOPERATIVE/COOPERATIVE UNION

These are organizations which coordinate activities of primary Cooperatives Societies within a large geographical area. For example District.

It consists of a number of primary Cooperative Societies from one region such as a district dealing in a similar commodity.

NATIONAL COOPERATIVE

These are bodies which operate at national level. They have branches in different parts of the country and draw membership from all over the country.

Various Cooperative unions in a particular field come together and form national cooperative union.

THE UGANDA COOPERATIVE ALLIANCE

This is the head of all the Cooperative movement in Uganda. It controls all the activities of cooperative Societies in Uganda.

THE ROLE/FUNCTIONS OF THE COOPERATIVE MOVEMENT IN ECONOMIC DEVELOPMENT

- i) Giving financial assistance to farmers. The Cooperative movement gives financial assistance to members in form of short term loans which they can use to buy farm inputs.
- ii) Provide transport facilities to farmers. The cooperative movement assists farmers to transport their produce to storage centers, processing centers and to the market.
- iii) Education of members. They educate members on various matters like business, saving, better methods of farming through seminars and workshops.
- iv) Provide storage facilities. They give storage facilities to farmers such as sacks and storage on members' produces.
- v) Provision of farm inputs. They provide farm inputs to farmers at subsidized prices. For example seeds and fertilizers.
- vi) Provision of tractor hires services. Cooperative movement provides tractors for hiring to members at subsidized price.
- vii) Selling of goods to members. The Cooperative movement sells goods to members at reduced prices. For example spraying pumps.
- viii) Transformation of the economy from substance to commercial production.
- ix) They help to implement policies. For example alleviation of poverty
- x) They help to mobilize savings. The Cooperative movement enables members to save money for future investment.
- xi) Provision of employment to many people such as Accountants and drivers.

PROBLEMS FACED BY COOPERATIVE SOCIETIES IN UGANDA

- (i) Inadequate storage facilities. Most Cooperatives do not have modern storage facilities such as refrigerators to store perishable goods for long.
- (ii) Inadequate capital. Most Cooperatives are dominated by low income earners and those who are given loans take long to pay.
- (iii) Language barrier./illiteracy/ignorance. Majority of the members are uneducated and of different tribes. This makes communication difficult.

- (iv) Poor transport facilities. Most Cooperative societies lack the means of transport produce and some farmers are located in remote areas. This makes the transportation of produce difficult.
- (v) Political instabilities in some areas. Some areas are affected by civil wars and this affects the activities of cooperative societies in such areas.
- (vi) Too much government inference. There is a lot of government interference in the activities of Cooperatives such as high taxes imposing trade restrictions, closure of the Uganda Cooperative Bank.
- (vii) Bad debts/defaulters. Due to increased poverty most members who are given loans do not pay in time and some fail to pay members.
- (viii) Poor leadership. Most cooperatives especially in rural areas are poorly managed because of low levels of education among members.
- (ix) Price fluctuation. Prices of most agricultural produce are never stable; they change from time to time. This makes price fixing difficult.
- (x) Natural factors. For example. Pests and diseases, drought affects the quality of produce and the yields.
- (xi) Embezzlement of funds. The officials who are employed tend to embezzle the funds of the society. This aggravates the problem of lack of enough capital

1. MARKETING BOARDS

(a) MEANINGMARKETING BOARDS

These are trading organizations established by the Government to control; buy and market Agricultural produce through various agencies.

(b) TYPES OF MARKETING BOARDS.

- (i) **COMMODITY MARKETING BOARD:** This is a marketing Board which handles the purchase and marketing of one agricultural commodity. For example the former Uganda coffee Marketing Board for Coffee, lint Marketing Board for cotton.

- (ii) **PRODUCE MARKETING BOARD:** A Marketing Board which is set up to handle the purchase and marketing of a number of agricultural produce/crops such as Maize, beans, Ground nuts and Soya beans.
- (iii) **EXPORT MARKETING BOARD:** Marketing Board set up to promote the marketing of agricultural product to foreign markets. They buy and export produce to foreign markets. A commodity Marketing Board may also be an export Marketing Board if it exports the produce.
- (iv) **ADVISORY MARKETING BOARDS:** These do not buy or sell produce but they are set up to provide advisory services to both produce and commodity marketing boards.

c) FUNCTIONS OF MARKETING BOARD

- i) Buying produce from farmers. Marketing Boards buy produce from farmers at reasonable prices through cooperative societies or directly from farmers.
- ii) Collecting and transporting farmers' produce. Marketing Boards collect and transport produce from farmers' homes to their warehouse.
- iii) Storing produce. They store farmers produce which saves producers from storage costs and provides room for further production.
- iv) Carries out Research. Marketing boards carry out research into agricultural and marketing problems and about better methods of farming.
- v) They give assistance to farmers in form of fertilizers, farm tools, seeds and on loan terms.
- vi) Stabilizing prices for agricultural produce. They buy farmers produce in large quantities, process it and keep it until demanded. This enables regular supply and keeping prices stable.
- vii) Controlling production. They buy and keep produce from farmers in bulk and release it in case of scarcity. This enables regular supply of goods.
- viii) Advisory services to farmers. They extend advisory services to farmers about how to produce better quality crops.
- ix) Selling produce. They sell farmers' produce to local and foreign markets.

d) PROBLEMS FACED BY MARKETING BOARDS

- (i) Transport problems due to bad roads and weather. This makes transportation of produce difficult.
- (ii) Poor quality produces. For example. Some farmers mix poor grades with quality ones this leads to low prices and market.
- (iii) Political intervention. Government influences the management and therefore unskilled administrators, may be appointed leading to mismanagement of the enterprise.
- (iv) Over production. Some farmers harvest the excess which leads to fall in prices due to limited market.
- (v) Competition from private businessmen who offer prices to farmers. This leads to shortage of produce to the marketing Boards.
- (vi) Price fluctuation at world market. Prices of agricultural products are never stable which makes price fixing difficult.
- (vii) Natural disasters like floods and droughts which lowers the yields
- (viii) Corruption and embezzlement of funds by managers. This leads to shortage of finance to run the activities of marketing boards.
- (ix) Inadequate finance to buy produce from farmers.
- (x) Inadequate storage facilities. Marketing boards tend to lack modern storage facilities for storing the perishable goods.
- (xi) Political instabilities in some parts of the country. This limits production in such areas affected by wars.