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## **DEVELOPMENT PROCESS OF THE FISHERMEN'S GROUPS IN THAILAND**

by

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## PREFACE

In many countries, cooperative organizations have been expected to improve fishermen's production and living conditions. In order to offer solutions to problems, especially in so-called small-scale fishery, many methods of fostering cooperative organizations development have been implemented. Moreover, development projects in the fishery are often accompanied by the establishment of cooperative organizations for example in Thailand, this has been an important strategy in fishery development. Both in marine and inland fishery, cooperatives and similar organizations, namely fishermen's groups, have come into existence. Fishermen's groups, instead of ineffective fishery cooperatives, have rapidly become popular in the country since the early 1970s. Originally, the group's concept was derived from that of the cooperative's and established groups were started with the intention that they be transformed into fishery cooperatives. That is, the group's movement was linked to the cooperative's. A group was organized in an area having difficulty in forming a cooperative. Of course, there are differences between the two organizations which will be described later. At any rate, the formation of fishermen's groups seemed to impart great impetus to the inert cooperative movement.

This paper, which constitutes one part of the studies on cooperative organizations in Thailand, focuses on the development process and characteristics of the fishermen's groups. It was conducted prior to an analysis of fishery cooperatives. This is because the group's movement has passed through three stages; namely, appearance, expansion and decline, all during the past ten years. Yet to investigate fishery cooperatives seems to be unjust at present, since the fishery cooperatives movement only started to really progress around 1980. Accordingly, a study of the trends to date of fishermen's groups will first clarify what obstacles the groups have faced in attaining their initial objective. Furthermore, the consideration of factors which have attributed to the expansion and decline of the groups will lead us to reassess the future direction of the cooperative organizations in the Thai fishery, including cooperatives. This paper consists of three chapters, the first concerns the basic characteristics of a fishermen's group, taking into account the historical background of the group's formation. In the next chapter, I shall refer to the organizational structure and the diffused process of the groups. The third chapter illustrates the trends of business and management. Through these descriptions, the perspectives as well as the difficulties of the fishermen's groups will be clarified.

In acknowledgement, I must thank the following: Mr. Boontham Sitichok and Miss Suchitra Buacham (Fishermen Welfare Section, Department of Fisheries) who made valuable suggestions and provided basic data. In collecting related information, Mr. Chumpol Nakaluksana (Computer Section, Department of Fisheries) and Miss Panipa Hanvivatanakit



(Fishery Economics Section, Department of Fisheries) who kindly assisted me. In addition Mr. Manus Hemnukul and Mr. Pramuan Rugjai (Fish Marketing Organization) who often invited me to accompany them on visits to fishermen's groups, and discussion with them undoubtedly encouraged me to accomplish this work. Mrs. Sudsawat Tangsiripattanakul (Fishery Cooperatives Section, Department of Cooperatives Promotion) who provided much advice, particularly with regard to the comparisons between the fishermen's groups and cooperatives. Miss Varchareeya Thosanguan (Instructor at Thammasart University) who helped me to broaden my outlook on the fishermen's groups, while providing useful reference materials on the policies of economics and governmental administration. All my friends who kindly helped me to translate many data from Thai, whenever they were beyond my language ability. Without their voluntary assistance, this work could not have come into being.

Finally, I must thank Dr. Veravat Hongskul (Secretary-General of SEAFDEC) who provided the opportunity to write this paper and publish it.

With the hope that my work will be of use to the cooperative organizations in the Thai fisheries.

30th July, 1986

Masahiro YAMAO



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## I. Appearance and disposition of agriculturists (fishermen's) groups

Before going into a detailed analysis of the business activity and management of fishermen's groups, the historical and structural aspects will be focused on to clarify the characteristics of the groups.

In general, the amendment of the Cooperative Societies Act of 1968 (B.E. 2511) is thought to have been an important turning point to the cooperative movement in Thailand. This is because widely diffused small cooperatives were encouraged to merge in order to acquire some economic benefit. Furthermore, the appearance of these productive cooperatives was expected to strengthen small artisanal producers penetration into the commercial economy. To be specific, providing financial trust would be linked directly to increases in commercial production, also being supported, not only by purchasing productive materials, but also by selling members' produce. The jurisdictional area of a cooperative, which used to be based on a small rural area, resulted in ineffective management and administration, it was therefore widened to a district area (Amphur) to avoid disadvantages. As a consequence of these change, many cooperatives were obliged to transform their organizational features through amalgamation to a more effective one. This action, of course, was considered a breakaway from the old system towards a modern cooperative. However, another opportunity to spur the establishment of the cooperative organization in the agricultural sector appeared in 1972, seemingly being against the oriented cooperative movement, namely group activity.

The Revolutionary Party, which was headed by the Former Prime Minister Mr. Thanom Kittikachorn in 1971, made many proclamations with practicable enforcement. In the proclamation to declare the party's economic and political direction, the establishment of group activity was included. The party made two proclamations relating to group activity<sup>1</sup>. The first concerned the principal objectives to spur the establishment of legal and effective groups; and the other stipulated

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<sup>1</sup> The word "group" is translated from "กลุ่มเกษตรกร"; precisely, it means "agriculturist group", which also covers the fishery field. As to the expression "fishermen's group", the original one is "กลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ" which can be translated as "agriculturist group for capture fishery and aquaculture". The usage here, "fishermen's group", is in accordance with custom among related persons.



the group act<sup>1</sup>. Referring to the Revolutionary Party's Proclamation No.140 of May 1, B.E. 2517 (1972)<sup>2</sup>, the party recognized possibilities of rearranging the scattered, existing mutual-organizations, which were outside the law, in rural societies<sup>3</sup>. Most of these agriculturists had difficulties in producing and selling produce, even though they played the most significant role in the country's economy. This problem led the party to the necessity of mutual-organization among un-released small producers.

There were two main objectives in this movement. The first objective was to transform the illegally existing group into a legal entity so as to expand its economic functions, as well as to organize a new group. It was realized that as a legal entity, under the supervision of the government, it could help the members of a group obtain financial assistance from the related financial institutions. Thus, based on the modern connection with the institutions, the transformed group would display the function by which a member could realize faster economic development. The second important objective was to re-transform the legal group into a cooperative, whenever a well-managed group was established. That is, the formation of a group was considered to be an early step with its formation as a cooperative as the next step. The

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<sup>1</sup> It is thought in Thailand that any proclamation which is announced by an authorised revolutionary party will be valid until enforcement of an extraordinary constitution. Moreover, without procedures prescribed by law for alteration and abolition being taken, a proclamation will continuously maintain its effectiveness. Therefore, the related group activity is still alive due to the lack of action to abolish it. As for the characteristics of proclamations declared by revolutionary parties, refer to Politics by "Revolutional (sic) Party Edicts" in Thailand (Toru Yano South East Asian Studies Vol. XII No.4, March 1975, Kyoto).

<sup>2</sup> "ประกาศของคณะปฏิวัติ ฉบับที่ 140"

<sup>3</sup> Based on the announcement, there existed 6,200 agriculturists' groups, which organized 330,000 family members, all over the country.



group's organizational principle was associated with its future perspective, and was inevitably in conformity with the Cooperative Society Act. Consequently, the party announced in Proclamation No.140 that the present act was to be amended to include this objective. Firstly, it was stated that persons who cannot establish a cooperative are allowed to organize a group<sup>1</sup>, and coincidentally that a group is a legal entity. Secondly, the issue regarding transformation of a group into a cooperative was also put into writing, which outlined the required procedures for the transformation<sup>2</sup>.

Simultaneously, the act for foundation and operation of a group was promulgated by the Revolutionary Party<sup>3</sup>, the basic idea of which was inevitably modeled on the Cooperative's Act. However, there are several differences in organizational principle between the cooperative and the group. Therefore, what difference there is between them shall be examined in order to characterize the group.

The first distinction is by what administrative organ a group is supervised. At the stage of registration, a group has to pass through the provincial governor (Poowarachakarn Changwat), although the cooperative's registrar will finally become the group's registrar<sup>4</sup>. This implies that the agriculturist group is essentially under the control of both the Ministry of Interior, and the Ministry of Agriculture and Cooperatives. This because the appointed provincial governor belongs to the Ministry of Interior, and his criteria of administrative activity

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<sup>1</sup> This is related to Article 8 of the Cooperative Society Act B.E. 2511 (1968).

<sup>2</sup> With respect to the transformation of a group, Article 118 in the cooperative's act was added stating that any group could transform into a cooperative through the outlined procedures whenever not less than two-thirds of the group's members agreed at a meeting.

<sup>3</sup> "ประกาศของคณะปฏิวัติ ฉบับที่ 141" (The Revolutionary Party's Proclamation No.141, May 1, 1972).

<sup>4</sup> "ข้อ ๒ ประกาศของคณะปฏิวัติ ฉบับที่ 141" (Article 2, The Revolutionary Party's Proclamation No.141).



are clearing stipulated by it. Conversely, registration of a cooperative is left to the central government, (that is, the Ministry of Agriculture and Cooperatives), so that the local government has no scope to participate in the cooperative's registration, at least in the law. Furthermore, the result of an annual audit of the group should be submitted to the cooperative registrar; however, the audit report is obliged to pass through the provincial registrar, that is, the governor<sup>1</sup>. The local government appears to have the right to conclude or suggest any future direction for a group, even though the final decision of abolishing a group, e.g. due to ineffective administration, is in the hands of the cooperative registrar. Thus, an agriculturist group has its destiny determined by the local and the central government in the process from establishment to abolition.

Another difference in administration between group and cooperative concerns related departments, though groups as well as cooperatives are under the same direction of the Ministry of Agriculture and Cooperatives. A group is under a related department, for example, a fishermen's group belongs to the Department of Fisheries, whilst any fishery and agricultural cooperative is authorized by the Department of Cooperative Promotion. That is, the two cooperative organizations belong to different administrative organs, although they bear a close resemblance to each other.

The second distinction of a group is its qualifications in establishing an agriculturist group. As regards to the number of members, any group is required to have not less than thirty members for its implementation, judging from the condition of the group<sup>2</sup>. When compared to the regulated qualification of cooperatives, it can be pointed out that a group requires many more members than a cooperative. A limited cooperative needs only a minimum of ten members, therefore, in contrast to a group, a cooperative can exist in a comparatively freer condition.

The third distinction between both cooperative organizations appears to be completely contradictory to the second one. That is to say, a group which requires three times as many members as a cooperative

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<sup>1</sup> "๗๐ 28" (Article 28, Ibid).

<sup>2</sup> This article adds: when the number of a group's members is replenished to over thirty within one hundred and twenty days, the group will not be dissolved "๗๐ 31" ("Article 31", Ibid.).



is linked to a small area<sup>1</sup>. According to the proclamation, agriculturist groups can be organized within the commune (Tambon) while cooperatives generally require the area of a district as jurisdictional territory. Or, if necessary, cooperatives can be organized at provincial and national levels. At any rate, cooperatives are allowed to be organized within a comparatively larger area, although the required number of members is smaller than that of a group<sup>2</sup>. In addition another restriction on the group is that a member is not allowed to participate in another group having the same occupation. In other words, a commune has a sole group in a certain field. In the fishery field in a commune, another group will not be allowed to become established if one already exists. By contrast, a few fishery cooperatives will be permitted to exist at the same time within the district<sup>3</sup>. Therefore, the group's act intends to avoid the diffusion of cooperative efficiency. Moreover, it is proclaimed that only one person from each family can become a member of a group<sup>4</sup>. These distinctive restrictions concerning area and membership cannot be found in the cooperative's act. Thus, as many households as possible, — but not individuals —, involved in the same occupation would be led to a group which could be the exclusive representative organization in a certain field in a commune. Associated with the administrative organization encouraging the supervising groups, the essential idea is based solely on locality. In this way, the dispersed agriculturist households in the commune will effectively cooperate.

Fourth, the difference between both cooperative organizations lies in the line of business operation. In comparison with the cooperative's act, it would be apparent that the group's act contains restrictions against the group's economic activity. Referring to the proclamation, a group is able to give members credit, purchase materials and necessities, sell members' produce, and provide various services<sup>5</sup>. For these activities, the group can rely on borrowed funds

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<sup>1</sup> "ข้อ 11" ("Article 11", Ibid.).

<sup>2</sup> In the case of fishery cooperatives, there existed a cooperative whose members totalled only 23 at its establishment.

<sup>3</sup> For example, there existed three fishery cooperatives within both Samut Sakorn and Samut Songkram provinces.

<sup>4</sup> "ข้อ 5" ("Article 5", Ibid.).

<sup>5</sup> "ข้อ 13" (Article 13", Ibid.).



from related financial institutions, besides the group's equity. Furthermore, the group can keep a part of their funds in specific institutions, such as the Bank for Agriculture and Agricultural Cooperatives, and others providing financial assistance to the group<sup>1</sup>. This is the same for a cooperative.

However, the proclamation does not include several articles by which a cooperative can implement a certain activity. Concretely, no group can either receive savings and fixed deposits from members or hold shares of any other institutions, except other groups, whose business is to facilitate or promote the group activity. In particular, prohibition of a saving activity is absolutely different from the cooperative's business. In general, a cooperative intends literally to become a local financial institution forming mutual financial circulation among members. That is, the cooperative is expected to take an intermediary position between a member having idle funds and a member suffering from a shortage of funds. While raising funds from other institutions, the cooperative's act considers the importance of attaining self-help finance within the cooperative's territory. However, a group has to depend only on borrowed funds and its own equity for the implementation of financial activity. Thus, the group is not a complete financial institution that lends money and accept deposits<sup>2</sup>. This may lead to the obstruction of mutual finance enlargement which requires a certain amount of member's idle funds to be orientated towards the group's lending source. Furthermore, this restriction probably differentiates the financial situation of a group from that of a cooperative. Insofar as a group is unable to rely on members' deposits as a source of lending money, the precariousness of the group's financial position may be exposed. This is because the attitude of a related financial institution towards groups may alter according to its preference as well as to the group's financial position. The more credible a group tends to be for borrowed funds, the more likely it will be to accept this external influence.

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<sup>1</sup> "צ" 26" ("Article 26", Ibid.). This does not mean that a group can freely deposit money in any bank. The financial institutions mentioned above should have priority. Only if no such institutions exist near the group, can it utilize others after seeking permission from the group's registrar.

<sup>2</sup> To distinguish the financial function of groups from that of cooperatives, I shall subsequently use the word "loan business", even though "credit business" is ordinarily used.



Referring to the discussion thus far, we may conclude that the groups tend to depend on locality in their operational principle. By contrast, cooperatives have more independence as well as flexibility in order to secure economic rationale. The groups' criteria, illustrated in a series of the Revolutionary Party's proclamations, seem to link to policies that intend to rearrange the existing local governmental system. Of course, both cooperative organizations are on the one hand economic organizations through which members can mainly improve their productive conditions; on the other hand, both are local organizations in which agriculturists who live in the jurisdictional area can participate. However, the consideration that the local government allows a commune to organize a sole group in a certain field, will lead to the distinct role of groups. This may be the idea that the prosperity of the groups' activity would result in the improvement of local administration. When compared to the Cooperative's Act, this thinking further pervades the Group's Act. Eventually, the performance of a group is to be supervised by the local government from its establishment to abolition.

This localization is, of course, seemingly common with the organizational principle of the former credit cooperatives under the pre-amended cooperative's act (before 1968). For instance, almost all former cooperatives had been thrust into a narrow territory. The average number of members per cooperative was only sixteen in 1966<sup>1</sup>. The cooperatives in those days could be established within a hamlet, and eventually faced inefficiency by their management due to their small size. The group activity also depends on narrow-locality, in comparison to the present day cooperatives. However, more precisely, the establishment of any group is dependent on an enlarged area, being absolutely distinguished from the former cooperatives. The average number of members per agriculturist group will explicitly show this distinction. In 1974 just as the group idea appeared, an agriculturist group contained no less than ninety-six members, which was six times as many members of the former cooperatives (in 1966). Apparently, the locality of a group is formed by distinctive category of territory, that is, Tambon (commune). By contrast, the former type had its organizational basis in the hamlet. Therefore, the series of proclamations might intend to establish a comparatively smaller cooperative organization, which did not rely on the same basis as the former type. In this line, another noticeable point as to why the proclamation regarded the territory of a Tambon as important, neither district nor hamlet, would appear. Since this is also one distinction between cooperative and group, I shall refer to this as an aspect of the local governmental system.

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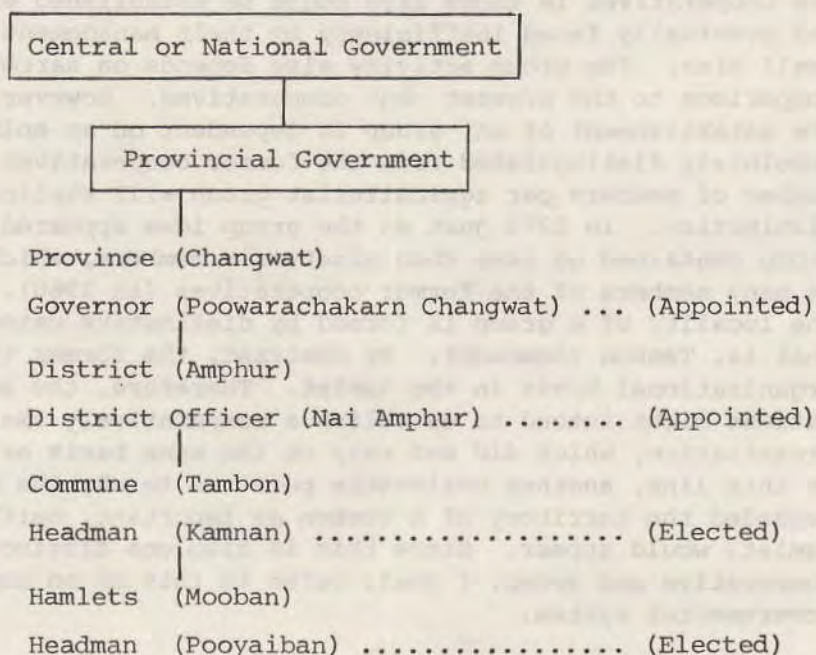
<sup>1</sup> "รายงานสถิติการเงินของสหกรณ์ ประจำปี 2514" ("Report and statistics of agriculturist group, 1971"), Department of Auditing, Ministry of Agriculture and Cooperatives.



Since the Second World War, the Thai government has directed its effort to systematise effectively units of local administration, aiming at rural development as well as a well-managed governmental structure. Below the province (Changwat), the most significant effort in the administration is to strengthen links between district (Amphur) and commune (Tambon) as well as to systematise both administrative units. In general, commune (Tambon) administration is considered to be an intermediary between district and hamlet. A district consists of some communes; and a commune is further divided into some hamlets as smaller units. The head of a commune (Kamnan) is elected from among its hamlets heads (Pooyaiban). In this respect, a commune is thought to have a self-governing function. On the other hand, the heads of the province and districts are appointed by the Ministry of Interior<sup>1</sup>. Therefore,

<sup>1</sup> In the Thai local administration, heads of hamlets, which constitute a commune (Tambon) Executive Board, mutually co-opt a head of commune (Kamnan). The ordinary structure in the administration is indicated below.

#### Structure of Provincial Government



(source) Dr. Likhit Dhiravegin "Thai politics: Selected Aspects Development and Change".



a commune lies at the point of contact between the self-governmental units and the centrally authorized administration, typically a district<sup>1</sup>. In this administrative line, any commune has a responsibility for functioning practical administration assigned by the provincial governor or district officials. Moreover, as long as the commune has the function of self-government, it will deal with the improvement of its constituents economic and social conditions by itself.

Normally, a commune is represented by the Commune Council whose members are ex-officials and elected persons from hamlets. In 1972 when the Revolutionary Party promulgated the establishment of agriculturist groups, it simultaneously proclaimed an amendment of the Commune Council structure. The main purpose of this amendment was to encourage a commune to seek its own development<sup>2</sup>. The related proclamation stressed the necessity that a commune should make a five year development plan. It further stressed that the council had greater responsibility for fostering cooperation with voluntary or charitable organizations in order to encourage self-help development<sup>3</sup>. This announcement was obviously relevant to the establishment of the group activity. The appearance of practical organizations would be required to realize the constituents' expectations, since the council itself did not play an economic role. In consequence, the commune administration was expected to initiate the organization of groups in various fields. Besides pursuing effective administration, the commune should be a nucleus of agriculturist groups based on the idea of self-help among the commune's members in order to attain economic advancement. It was considered that the appearance of well-managed groups within a commune would lead to improvements for its poorer members as well as the stabilization of the local government.

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<sup>1</sup> What relation there is between district and commune is described by Toru Yano, through association with the functions of a head of district official (Nai Amphur) and commune heads (Kamnan). Refer to "Political function of District Officers in Thailand" (Southeast Asian Studies, Vol.18 No.2, September 1980, Kyoto).

<sup>2</sup> The functions of the Tambon Council are described in detail while investigating the party's proclamation by Dr. Likhit Diravegin. "Local Government System in Thailand: An Overview" (Thai Politics Aspects of Development and Change", 1985, Bangkok).

<sup>3</sup> "ประกาศของคณะปฏิวัติ ฉบับที่ 326" (The Revolutionary Party's proclamation No.326, December 13, 1972).



That is, to strengthen the local administration, accompanied by economic improvement in a fundamental unit, would be the goal of rural development. The group's localization influenced coexistence and co-prosperity between commune and group, coincidentally tightening control under the administration.

In reality, to encourage the local government to establish agriculturist groups resulted in an unprecedented outcome. As can be seen in Table I-1, numerous communes started to form agriculturist groups all over the country. Even in 1974, just after the Revolutionary Party proclamation, nearly half of the districts in the country proceeded with this movement. Indeed, during the years of 1974 to 1976, about two thousand groups came into existence in various fields. This rapid expansion was extraordinary, in comparison to the penetration of cooperatives. In the area of fishery (illustrated in the next chapter) many groups were organized but only several fishery cooperatives had been established. Thus unexpected and rapid movement would not have existed had it not been the initiative of the local government. Clearly, the objectives of the proclamations steadily penetrated the local government, which resulted in the extremely rapid expansion at the commune level. This is the most important characteristic of agriculturist groups. In addition, the fervent establishment of groups had rapidly diminished since 1977, as the group concept has strongly taken hold throughout the country.

Besides the relationship with the local government, yet another characteristic of agriculturist groups in that the group activity has tended to be diversified in order to respond to members' economic requirements.

Table I-1 Number of agriculturist groups in the 1970s

Year	No. at year beginning	Increase	Decrease	No. at year end
1974	-	710	-	710
1975	710	784	2	1492
1976	1492	1416	-	2908
1977	2908	402	-	3310
1977	3310	211	21	3500
1978	3500	35	9	3526

(source) "รายงานสถิติการเงินของกลุ่มเกษตรกร" (Report and statistics of agriculturist groups, (1974-1978). Department of Auditing, Ministry of Agriculture and Cooperatives.



In the same way as the present cooperative's functions, the group tends towards multiple functions in its economic activity<sup>1</sup>. Followed by the proclamations of the Party, the established groups began mainly to operate three economic businesses: the loan, purchase, and marketing but not the service business. However, it is difficult due to a lack of specific data to illustrate precisely what proportion the multi-purpose groups contributed to all groups in general. Moreover, the operating results of the activities, which were aggregated at the district levels, not the commune level, do not allow us to estimate the proportion of the multi-purpose groups. Roughly estimated as of 1974, there were already sixty-four districts with multi-purpose groups, or more than two types of single-purpose ones which managed different businesses to each other. This is equivalent to 21 per cent of all districts in which the groups were established. As of 1975, when the number of groups doubled from the previous year, the proportion of districts with multi-purpose groups or more than two different single-purpose groups reached half of the districts involved. The rapid decrease of districts with single-purpose groups should be noted<sup>2</sup>.

This diversification of the business operation can be discerned in the gross business profit of the groups. Despite of the fluctuation of the proportions in each business against the total, both the purchase and loan businesses generated a reliable source for the group's gross business profit<sup>3</sup>. Until 1978, the loan business benefited much more than the purchase business; afterwards, this business appears to have shared the greater part of the gross business profit. Coincidentally, the marketing business has gradually increased its small contribution to the total gross business profit. The diversification is, of course, accompanied by a definite concentration on a specific business: for example, the loan business at the outset, and the purchase business since the end of the 1970s. As a whole, however, the proliferation of the multi-purpose group — in contrast to the former cooperatives only lending money to their members — is unquestionable, and is presumably due to altering economic conditions facing members, to which they were compelled to adapt themselves by rapid commercialization. The more

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<sup>1</sup> Multi-purpose group is defined here as a group which conducts not less than two economic businesses except non-economic service activity.

<sup>2</sup> "รายงานสถิติการเงินของกลุ่มเกษตรกร ประจำปี 2518, 2519" ("Report and statistics of agriculturist group, 1974 and 1975) Department of Auditing, Ministry of Agriculture and Cooperatives.

<sup>3</sup> Gross business profit is gross business income deducted business direct cost.



commercialized small producers were destined to be, the more they would spur cooperative organizations towards diversification, even within a small territory. This is because they would be affected by the commercial economy in the whole production process.

The above discussion regarding the characteristics of agriculturist groups has provided the insight that group formation basically lies in the line of the cooperative movement. Obviously, the idea of the group originated in the Cooperative's Act. However, the group's concept includes characteristics which distinguish it from the cooperative's in particular, the movement which created the unique locality, which was closely linked to the encouragement received from local government. Based on the close links with the administration, the group formation was progressive and spread to the whole country. Assumably, the group's concept effectively penetrated the areas in which cooperatives had not yet been established. In this sense, this movement is thought to have given an unexpected impetus to the Thai cooperative movement, with support from the government.



## II. Organizational features and expansion process of fishermen's groups

In the previous chapter, the characteristics of agriculturists (fishermen's) groups were explicitly described through a study of a series of proclamations referring to the necessity of the groups. Fishermen's groups, in practice, are based on a more complete organizational principle and structure in order to accomplish their initial objective. Particularly in the business implementation, the group requires strictly regulated methods so that they can maintain effective administration under the condition of a small jurisdiction. Simultaneously, the fishermen's groups are required to maintain a high standard of management, from the point of view of the local administration. This is because the groups are considered to be nuclear economic units in the commune's development. Therefore, the systematized organization and efficiency of its management are needed for effective implementation. I shall discuss, in the first section, how the fishermen's groups could meet these requirements with regard to the by-laws of the groups<sup>1</sup>. Subsequently, the other section will focus on the diffusion process of the fishermen's groups throughout the country. Since their appearance, even over the last ten years, the movement of the group activity may have divided their development process into several periods. Moreover, the spread of the groups' idea through the fishery sector probably varies from area to area, as perceived in the number of groups established. These points will lead to clarifying the objectives and altering the role of the fishermen's group. This is because the expanding process of this movement involves many changes. The description shall combine organizational trends such as number of groups and participating members. The business trends will be the subject of the next chapter.

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<sup>1</sup> "ข้อบังคับของกลุ่มเกษตรกรทำประมง" ("By-laws of Fishermen's groups", Department of Fisheries, Ministry of Agriculture and Cooperatives).

The translation of the by-laws is attached to this volume as an Annex. The description here is based on the attached Annex.



# 1. Organizational structure for effective implementation

Linked to the Revolutionary Party's proclamation No.141, the by-laws of the fishermen's groups have come into effect as standardized ones, which stipulate membership, operating methods for businesses, and organizational principles.

Above all, the by-laws of fishermen's groups mention no fewer than fourteen articles as their fundamental objectives. Clearly, they are divided into two categories, besides the seeking of cooperation with other groups. The first category concerns the economic business activity, the implementation of which produces business profit. This indicates the nature of a group as an economic organization in which the business income compensates all operational expenses and leaves a surplus. The surplus is, of course, partially orientated towards the enlargement of the activity. For instance, the loan business lies in the line of this economic principle. That is, the economic basis of any group depends upon the difference between supply, cost of funds and gross income of providing members with credit. This conscious difference, which is normally determined by the official fixed interest rates of funds, will become an economic basis for the group's implementation. In the same way, any group can operate a purchasing business. The difference between supply costs and value of sold goods consists of not only operational expenses but also net profit. Of course, each group must be concerned with these two requirements in its business implementation.

Simultaneously, this activity in the fishermen's group is involved with another type of business requiring considerable prior investment in facilities. The business itself will be implemented pursuing the same principles as the previous business. However, invested facilities, especially those which improve the members production, sometimes do not directly increase members' income. Concretely, the possession of a jetty is to facilitate the unloading of member's fishery produce. Naturally, the members will be charged a fee by the group for its use. In return for the service, the users have to pay the administrative expenses involved in the operation of the jetty. Indirectly, however, the possession of a jetty may contribute to a rise in members' income. This is possibly caused by the appearance of a larger landing place, the jetty, which spurs fish collectors to take up a marketing activity on the jetty. Instead of privately owned landing places, which often cause ineffective and scattered distribution of fishery produce, the jetty of a group may result in a re-arrangement of the marketing in the group's area. The greater volume unloaded at the jetty is naturally more attractive to fish collectors than going to the scattered small landing places. Moreover, new-comers will appear because of effective collection. These changing conditions may encourage



the expansion of distribution areas, and have the potential of raising the price of fishery produce, through giving convenience to collectors as well. On the surface, although the efficiency of the jetty is not readily perceived in member's management, its operation in the long run creates an increase in fishery income by re-distribution.

Moreover, this business also includes the cooperative possession of large equipment which an individual could not afford. A member will not only increase his production, but also reduce the cost of production. This is because such a large investment by an individual may lead to ineffectiveness of his operation, and may often be beyond his repayment ability against the investment. Instead of a direct increase in members income, the cooperative utilization will reduce the expense, which eventually raises their earnings. This sort of business is distinguished from the former one. Businesses, such as the purchasing and loans, function as intermediaries between the groups' members and the exterior. By contrast, the business which needs prior investment in facilities is often linked to members' production itself. That is any group can take a part of members' production, on their behalf. In addition, the group is allowed to operate a processing plant which could increase the value of fishery produce. Therefore, the group is desired to be a processor which accepts members' produce and distributes it at a higher value. At any rate, the core of these activities lies in the line of not only large investment by groups but also cooperative utilization by members.

On the other hand, the by-laws refer to the non-economic activity as another category. This covers the dissemination of any technology and handicraft study, and the spread of any knowledge to the members benefit. Moreover, a group is encouraged to take action on behalf of members and their families suffering from a lack of livelihood. That is, the group will aid them whenever necessary. This non-economic activity is based on the cooperative's tradition, that a cooperative organization is for mutual-improvement and self-help. Thus, the by-laws of fishermen's groups illustrate the desired direction of any group that wants to be a multi-purpose organization carrying out both economic and non-economic business activities. Besides the fishery cooperatives, the fishermen's group is also required to diversify its activity to respond to all the production processes of the members and their lives. However, in addition, all groups are restricted in accepting savings and fixed deposits, as previously mentioned.

As a whole, however, the by-laws seem to attach importance to a specific business, that is, the loan business. Surprisingly, the fourteen articles refer to the particulars of lending money to



members while each of the other businesses is given only one or two articles<sup>1</sup>. This convergence to the loan business in the by-laws is also noted, in comparison to the fishery cooperative's<sup>2</sup>. After the by-laws, explicitly giving the general contents such as the objective and basic operating method of this business, the remaining articles concern, the stipulations. According to the laws, any fishermen's group can offer two major kinds of loans, which are classified by the members reimbursement period. Of course, the loans of a group are directed toward its members' production, not their livelihood. The short-term loan, which members must repay within one year, is to meet the operating expenses, for purchasing materials such as fuel oil, ice and feed for aquaculture. The middle-term loan, of which the repayment period is expected to range from three to five years, is for comparatively larger investments, such as the purchasing and repairing of fishing boats, equipment, engines and constructing necessary facilities. (Articles 25 and 26). Regardless of short or middle-term loans, every loan that a member can accept from the group has a limit determined by the by-laws. The short-term loan should not exceed 60 per cent of the anticipated value of a members annual production. That is, the limit is according to a members' production ability. On the other hand, the limit of the middle-term loan is 5,000 baht. These modeled regulations obviously illustrate that a fishermen's group aims at providing credit to small producers depending on their current production level.

This concept naturally influences the stipulation of mortgage and the procurement of evidence for collecting loans from members. Apparently, this business relies primarily on a fixed mortgage. Also of course, a fishermen's group engenders personal and mutual trust, which normally characterize the loan activity of cooperative organizations. If a member is unable to satisfy the requirements for a mortgage, he will need two sureties, both of whom must possess land or a fishing boat. Whenever the borrower cannot repay the loan, these sureties will be required to accomplish his debt repayment to the group. Moreover, when a new loan is needed without a mortgage, a member must not only obtain another members' guarantee but also submit the registration document of his fishing boat or property (Article 28). Inevitably, the group has to supervise the evidence of members who accept its loan benefit, in order to take collection on loans.

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<sup>1</sup> The stipulations of the loan business are from Article 23 to 36. (See Annex I).

<sup>2</sup> The by-laws of fishery cooperative cite only one article for this business, containing receiving savings and fixed deposits.



In contrast to the articles relating to the other businesses, the by-laws of fishermen's groups stipulate the methods of the financial activity. A comparison of the articles of both the loan and other businesses may lead to an assumption that a fishermen's group is to function as a local small financial institution. But, the first part of the by-laws describes the objectives of the group's activity. We shall consider that a fishermen's group is designated to modify the rural financial system through strictly regulated operation. In this sense, the group's loan activity literally aims at overcoming the difficulty of organizing the fishermen excluded from not only the modern financial system but also the cooperative's. Accordingly, the fishermen's group may contain members whose productivity remains lower than those of a cooperative's. As the party proclaimed the group's concept, groups are more likely to be established in less developed areas in which members are unable to provide the necessary funds, therefore the groups will probably have difficulty in collecting loans. To avoid this predicament a greater emphasis on the loan business must be given in the by-laws. Yet the related financial institutions, which have an obligation to provide financial assistance to groups, expect them to maintain a healthy financial position, too.

In practice, the source of lending money in all agriculturist groups has tended, since the outset, to be the governmental institutions particularly the Bank of Agriculture and Agricultural Cooperatives (BAAC). This institution has contributed almost all of the borrowed funds among the agriculturist groups. For instance, the BAAC accounted for 97.8 per cent of the residual amount of all borrowed funds by groups in 1979, which included groups operating funds<sup>1</sup>. Accordingly, all agriculturist groups are to channel the money flow between the BAAC and their members<sup>2</sup>. Although no specialized data as to fishermen's groups existed before the 1980s, we can suppose that at the origin,

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<sup>1</sup> "รายงานสถิติการเงินของกลุ่มเกษตรกร ประจำปี 2522" (Statistics and report of Agriculturist groups in 1979, Department of Auditing, Ministry of Agriculture and Cooperatives.

<sup>2</sup> Additionally, the onlending funds of the BAAC, which accounted for 98.4 per cent of the total outstanding to all groups in 1979, must be towards the source of the loan business, and not other businesses operations.



lending money to members tended to rely on the BAAC's "onlending" funds<sup>1</sup>. Thus, regulated methods for the loan business are definitely required, not only for maintaining the groups financial health, but also for securing favourable finance from the institutions concerned.

In the meantime, a fishermen's group has almost the same organizational structure as a fishery cooperative. The group is made up of primary societies, namely units. The by-laws stipulate that the unit be the nucleus of the group. Normally, a unit is organized by neighboring members living in an adjacent area. Generally, a unit is based on the hamlet (Mooban) as a constituent of the commune (Tambon), associated with the group's concept that many groups cover the commune. A fisherman who intends to participate in the group needs the approval of the unit. After the unit examines his qualifications for becoming a member, the final approval will be submitted to the board of directors managing all the affairs of the group. Therefore, the unit has a function of investigating a candidate for membership as the first step. On gaining the group's approval and completing the necessary procedures, every new member becomes a constituent of the unit. (See the articles of membership in Annex I). Moreover, the unit functions as an intermediary between members and the group, not only in the business operation but also in the organization. The by-laws state that the unit should provide useful information and technical knowledge to members, and that the decisions of the general meeting and the board of directors will be cooperatively put into effect by the unit. The most important task of the unit is to evaluate members attitudes towards the business utilization. In particular, the unit has a responsibility to the group to investigate whether or not members receiving services from it will follow the group's operational principle. (See Article 47). Therefore, the elected chief of a unit has the authority to dictate members' behaviour so as to maintain the effective implementation of the fishermen's group. All activities of the group rely on the unit to strengthen the members' conscious cooperation. As illustrated in Diagram II-1, which shows the external appearance of the group's organization, all its functions are structured around the unit.

Fundamentally, the final decision of a group's direction lies in the hands of the general meeting. This needs a majority of all members to be accepted. In the by-laws, the duties of the meeting are covered in

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<sup>1</sup> In the case of fishermen's groups, the Fish Marketing Organization has provided more loans to the groups than the BAAC; however, this organization stipulates that the funds be for the groups' own operation, not for onlending to members. Therefore, there is little doubt that the onlending source is mainly the BAAC.



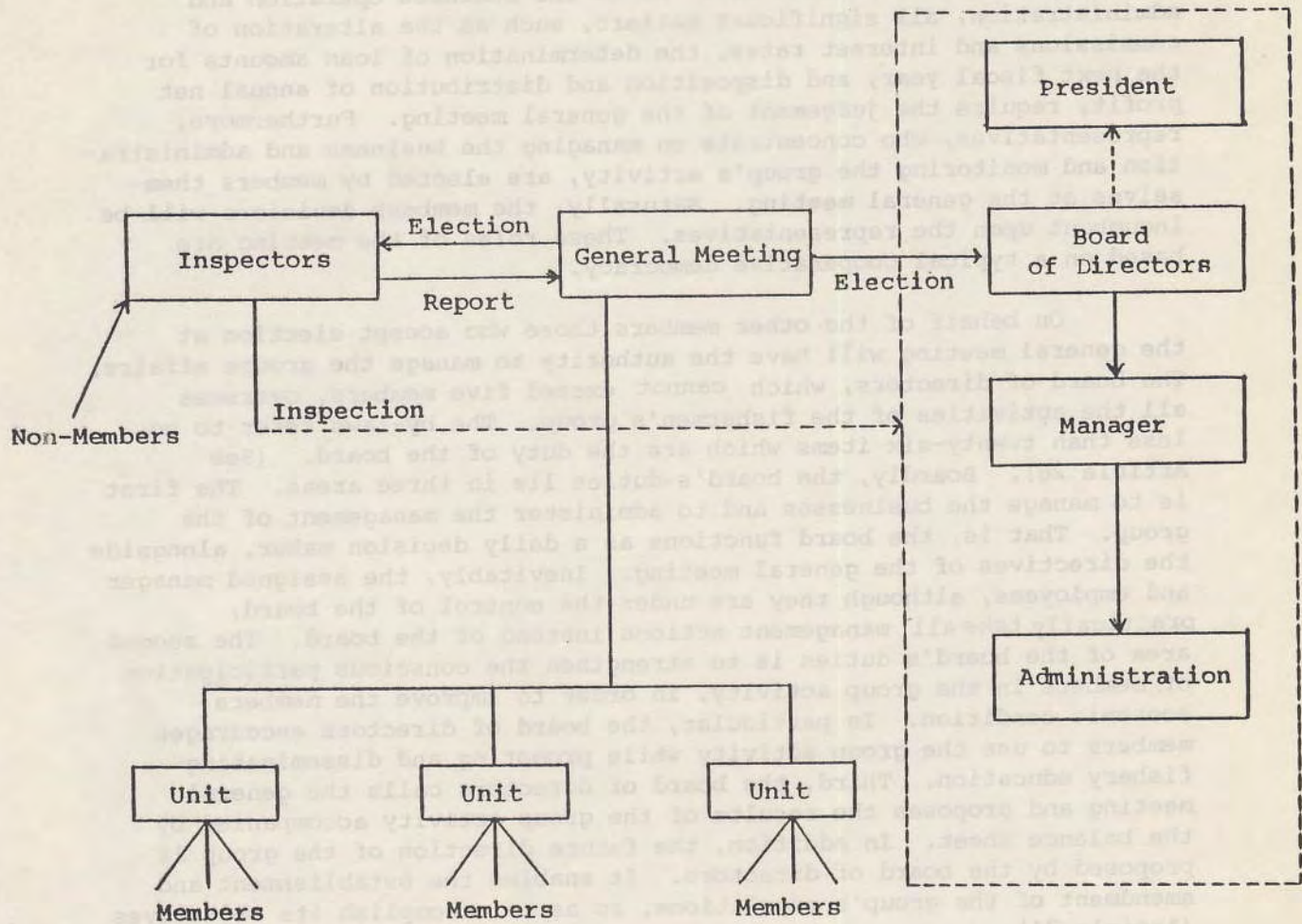


Diagram II-1 Organization of a fishermen's group





fourteen items, from the participation of new members to the dissolution of the group. (See Article 53). As to the business operation and administration, all significant matters, such as the alteration of commissions and interest rates, the determination of loan amounts for the next fiscal year, and disposition and distribution of annual net profit, require the judgement of the general meeting. Furthermore, representatives, who concentrate on managing the business and administration and monitoring the group's activity, are elected by members themselves at the general meeting. Naturally, the members decisions will be incumbent upon the representatives. These roles of the meeting are based on a typical cooperative democracy.

On behalf of the other members those who accept election at the general meeting will have the authority to manage the groups affairs. The board of directors, which cannot exceed five members, oversees all the activities of the fishermen's group. The by-laws refer to no less than twenty-six items which are the duty of the board. (See Article 26). Boardly, the board's duties lie in three areas. The first is to manage the businesses and to administer the management of the group. That is, the board functions as a daily decision maker, alongside the directives of the general meeting. Inevitably, the assigned manager and employees, although they are under the control of the board, practically take all management actions instead of the board. The second area of the board's duties is to strengthen the conscious participation of members in the group activity, in order to improve the members economic condition. In particular, the board of directors encourages members to use the group activity while promoting and disseminating fishery education. Third, the board of directors calls the general meeting and proposes the results of the group activity accompanied by the balance sheet. In addition, the future direction of the group is proposed by the board of directors. It enables the establishment and amendment of the group's regulations, so as to accomplish its objectives (Article 71).

As well as the board of directors, yet another administrative organ is formed to supervise the groups' activity, the inspectors of the group are elected at the general meeting. Remarkably, one third of the inspectors is permitted to be made up of non-members, similarly to fishery cooperatives. (See Article 61). These inspectors have a responsibility to not only the group's members but also its Registrar. First of all, the investigative results will be distributed at the general meeting, which enables members to learn the outcome and problems of the groups' activity. Ordinarily, the inspectors can attend the board of directors' meeting, although they have no right to make any decisions. Accordingly, the organ for inspection compromises the administrator of the fishermen's groups, in conjunction with the board of directors. More precisely, the inspectors have the task of supervising the group's activity for the governmental administration. This is



because the administration has to ensure the adequate operation of the group through the inspectors. Concretely, the inspectors must submit a quarterly statement based on their inspection to the Registrar of the group. In reality, the governmental administration has the authority to inspect externally the financial position of the group. The by-laws oblige the group to accept an annual audit by the group's Registrar. Therefore, the groups' activity itself may be officially controlled while it is generally autonomous. This concept is the result of the party's proclamations.

The discussion of the by-laws thus far will lead to some insights into the group's implementation characteristics. On one side, the group constitutes the organizational structure based on the idea of self-help. This is the cooperative democracy to encourage all members to participate in the operation. On the other side, however, the group lies in line with the governmental administration. This characteristic is first perceived in the application of the loan business. Much dependency on the external and governmental institutions in the group's operation inevitably causes the necessity of outlining its activity. In practice, the group is to take an intermediate function in the financial flow towards a rural area. In other words, the group's loan business functions as a pool which accepts funds from outside and distributes them to members. Such an economic characteristic requires a well controlled business operation. Moreover, an apprehension, that fishermen's groups may deviate from their initial objectives through ineffective operation, forces the governmental administration to supervise the groups' operation. This results in not only an inspection system that contains non-members, but also auditing by an appointed official. As a consequence of the above, the concept of the by-laws is constituted with converse tendencies, i.e., autonomy and reliance.



## 2. Diffused process of fishermen's groups

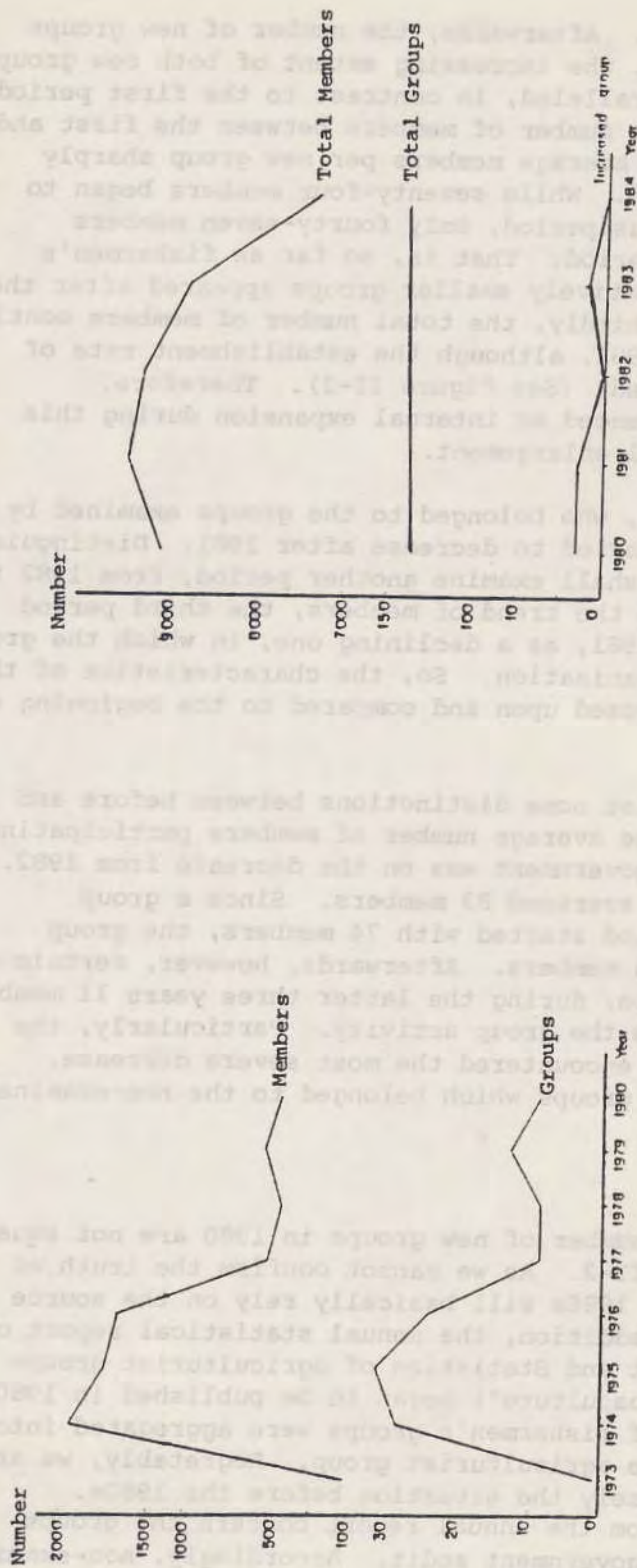
As soon as the revolutionary party proclaimed the establishment of self-help organization at communes, many of those involved in fishery began to respond to the party's persuasion. Many groups came into existence both in marine and freshwater fisheries, particularly during 1974 to 1976. The groups' establishment in these three years was in common with the whole agriculturist group. In these years, the number of newly established groups per year reached twenty-five. In addition, nearly two thousand newcomers acquired group membership, annually. Finally, the majority of the existing groups were organized at this time with much fishermen's participation. The movement towards the group's formation was feverish. Simultaneously, the rampant formation of groups probably gave an impetus to the cooperatives' movement, because the formation of fishery cooperatives had still remained primitive. The expectation of fishery managements for cooperation could be transfigured into the groups' establishment; however, the cooperatives movement could no longer absorb this demand. For instance, in 1975, only five fishery cooperatives existed in Thailand; moreover, only one cooperative came into existence between 1975 and 1976, during which time the formation of groups spread through the country<sup>1</sup>. Accordingly, we shall note how rapidly the movement of fishermen's groups was expanding.

Meanwhile, from a historical viewpoint, we can divide the development process of fishermen's groups into three periods. Figure II-1, which illustrates the trends of newly established groups every year, provides an insight into the character of each period. The first period is from the outset until 1976. A rapid expansion of groups characterized this period, as described above. Shortly after their establishment, the first turning point appeared in 1977. The second period, from 1977 to 1981, shows significant characteristics. Above all, the number of newly established groups, which reached less than half of the first period's suddenly fell. Moreover, gradually the appearance of new groups diminished. There appeared about ten groups

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<sup>1</sup> "รายงานสถิติการเงินของสหกรณ์ 2519" ("Report and statistics of fishery cooperatives in 1976"), Department of Auditing, Ministry of Agriculture and Cooperatives.

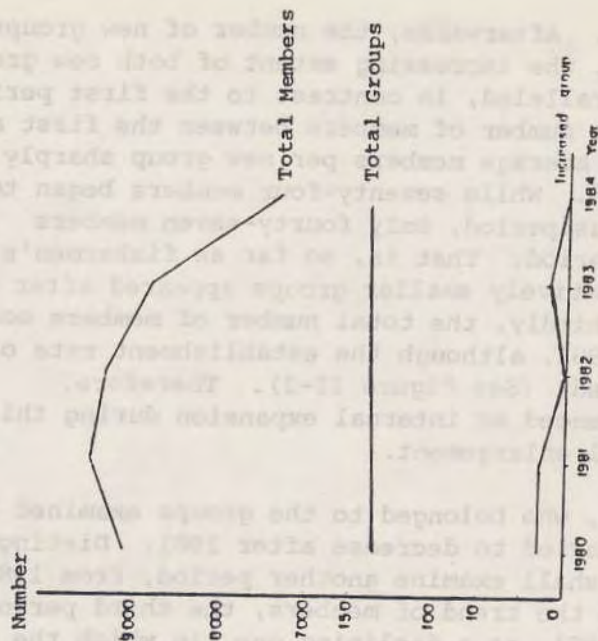




- 1) Increased numbers are only newly established groups in each year.
- 2) These numbers do not include numbers of the abolished groups before 1982.

(Source) "บัญชีรายชื่อกลุ่มเกษตรกรที่จัดตั้งขึ้นใหม่" (List of agriculturist groups for capture fishery and aquaculture) Department of Fisheries, 1982.

Figure II-1 Newly established groups shown by year



- 1) The number of members in the groups examined by the governmental audit - not all groups.

(Source) "รายงานผลการดำเนินงานของกลุ่มเกษตรกรที่จัดตั้งขึ้นใหม่และกลุ่มเกษตรกรที่เดิมมีอยู่แล้ว" (Report and statistics of agriculturist groups for capture fishery and aquaculture 1984) Department of Auditing, Ministry of Agriculture and Cooperatives.

Figure II-2 Changes in organizational features of fishermen's groups in the 1980s



annually from 1977 until 1979. Afterwards, the number of new groups decreased<sup>1</sup> further. Secondly, the increasing extent of both new groups and their members were not paralleled, in contrast to the first period. That is, the difference in the number of members between the first and second periods. In fact, the average members per new group sharply decreased in the second period. While seventy-four members began to operate a group in the previous period, only forty-seven members established a group in this period. That is, so far as fishermen's groups were concerned, comparatively smaller groups appeared after the initial feverish movement. Thirdly, the total number of members continued gradually to increase up to 1981, although the establishment rate of groups had obviously diminished. (See Figure II-2). Therefore, the fishermen's groups experienced an internal expansion during this period, instead of an external enlargement.

Abruptly, the members, who belonged to the groups examined by the governmental auditing, started to decrease after 1981. Distinguished from the previous period, we shall examine another period, from 1982 to the present. With respect to the trend of members, the third period may be characterized, after 1981, as a declining one, in which the groups reached the peak of their organization. So, the characteristics of this declining period shall be focused upon and compared to the beginning of the 1980s.

Noticeably, there exist some distinctions between before and after 1981. First of all, the average number of members participating in a group (examined by the government) was on the decrease from 1982. At the peak of 1981, a group averaged 83 members. Since a group established in the first period started with 74 members, the group realized a steady increase in members. Afterwards, however, certain members broke away from groups; during the latter three years 11 members were completely released from the group activity. Particularly, the period between 1981 and 1982 encountered the most severe decrease. (See Table II-1). Secondly, groups which belonged to the non-examined

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<sup>1</sup> The figures revealing the number of new groups in 1980 are not equal in Figure II-1 and Figure II-2. As we cannot confirm the truth at present, the trends in the 1980s will basically rely on the source of the latter Figure. In addition, the annual statistical report of fishermen's groups ("Report and Statistics of agriculturist groups for capture fishery and aquaculture") began to be published in 1980. Before then, the results of fishermen's groups were aggregated into the statistics of the whole agriculturist group. Regretably, we are unable to illustrate precisely the situation before the 1980s. Moreover, figures taken from the annual report concern the groups examined in the regulated government audit. Accordingly, non-examined groups are excluded.



to use the group businesses amounted to approximately 606 persons in that year, which accounted for 6.7 per cent of all members<sup>1</sup>. Even worse, these groups swiftly increased to over a quarter of all registered groups.

Besides non-examined groups, another classified group played a great role this was the non-operational one. They were seen to neither operate any business activity nor to have any income in the fiscal year; although a non-operational group could meet the regulated audit. Accordingly this kind of group remains dormant as does a non-examined one, except that the former group still sustains the capability of controlling its assets. That is to say the two dormant groups cannot benefit any members through their business activities. However, when taking into account the fact that few groups were established after the outset of the 1980s, most of non-operational groups were not waiting to enter into implementation. Temporarily, non-operational groups declined from 1980 to 1981, while the operational groups reached their peak the 1980s. However, the non-operational groups immediately increased in 1982, accompanied by a decrease in average members per group.

As to the last three years, the proportion of members who belonged to non-operational groups constituted approximately 30 per cent of all members in the groups examined. When comparing 1981 and 1982, the proportion indeed rose by no less than 10 per cent. Moreover, afterwards, this high percentage still remained up to 1984. Accordingly, the organizational situation of the fishermen's groups certainly deteriorated after 1982. In contrast, the reduction of non-examined groups points to an improvement compared to 1981. However, it can be conceived that both non-operational and non-examined groups are doomed to be inversely related. For instance, from 1981 to 1982, the decrease in non-examined groups might have caused the increase in non-operational groups. Conversely,

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<sup>1</sup> This is computed based on a comparison between the following data:  
"บัญชีรายการกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ ประจำปี 2525" (List of agriculturist groups for capture and aquaculture fishery in 1982), Department of Fisheries, Ministry of Agriculture and Cooperatives.

"รายงานสถิติการเงินของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ ประจำปี 2525"  
(Report and Statistics of agriculturist groups for capture fishery and aquaculture in 1982) Department of Auditing, Ministry of Agriculture and Cooperatives.



category rapidly increased, particularly during 1983 to 1984. Of course, this sort of group had existed before, as indicated in the Table. Assumably the non-examined group, which is outside the governmental audit, might cease the performance of its business activity or be unable to maintain responsibility for the supervision of its assets, debts and equity. Therefore, all members may not benefit from the group activity. For instance, in 1982, of all registered groups, 16 groups could not respond to auditing. The members who were probably unable

Table II-1 Changes of non-operational and operational groups

	No.. %				
	1980	1981	1982	1983	1984
Total groups	135	137	140	141	141
Non-examined groups	24	23	16	21	39
Examined groups	111	114	124	120	102
Operational groups	82	89	85	86	70
Non-operational groups	29	25	39	34	32
Estimated members of non-operational groups <sup>1)</sup>	2375.1	2072.5	2928.9	2499.0	2300.8
Proportion of total members <sup>2)</sup> (%)	26.1	21.9	31.4	28.3	31.4
Average number of members in examined groups	81.9	82.9	75.1	73.5	71.9

1) This figure is computed based on the average numbers of members per examined group.

2) This indicates proportion of members who belong to non-operational groups compared to total members of examined groups.

Source: "รายงานสถิติการเงินของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ ประจำปี 2523-2527" (Report and statistics of agriculturist groups for capture fishery and aquaculture 1980-1984). Department of Auditing, Ministry of Agriculture and Cooperatives.



to use the group businesses amounted to approximately 606 persons in that year, which accounted for 6.7 per cent of all members<sup>1</sup>. Even worse, these groups swiftly increased to over a quarter of all registered groups.

Besides non-examined groups, another classified group played a great role this was the non-operational one. They were seen to neither operate any business activity nor to have any income in the fiscal year; although a non-operational group could meet the regulated audit. Accordingly this kind of group remains dormant as does a non-examined one, except that the former group still sustains the capability of controlling its assets. That is to say the two dormant groups cannot benefit any members through their business activities. However, when taking into account the fact that few groups were established after the outset of the 1980s, most of non-operational groups were not waiting to enter into implementation. Temporarily, non-operational groups declined from 1980 to 1981, while the operational groups reached their peak the 1980s. However, the non-operational groups immediately increased in 1982, accompanied by a decrease in average members per group.

As to the last three years, the proportion of members who belonged to non-operational groups constituted approximately 30 per cent of all members in the groups examined. When comparing 1981 and 1982, the proportion indeed rose by no less than 10 per cent. Moreover, afterwards, this high percentage still remained up to 1984. Accordingly, the organizational situation of the fishermen's groups certainly deteriorated after 1982. In contrast, the reduction of non-examined groups points to an improvement compared to 1981. However, it can be conceived that both non-operational and non-examined groups are doomed to be inversely related. For instance, from 1981 to 1982, the decrease in non-examined groups might have caused the increase in non-operational groups. Conversely,

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<sup>1</sup> This is computed based on a comparison between the following data:  
"บัญชีรายการกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ ประจำปี 2525" (List of agriculturist groups for capture and aquaculture fishery in 1982), Department of Fisheries, Ministry of Agriculture and Cooperatives.

"รายงานสถิติการเงินของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ ประจำปี 2525" (Report and Statistics of agriculturist groups for capture fishery and aquaculture in 1982) Department of Auditing, Ministry of Agriculture and Cooperatives.



the increase in non-examined groups probably caused the decrease in non-operational ones, from 1982 to 1983. Clearly, the trends of both groups are inseparable; moreover, they were both considered to be dormant. Therefore, the combined number of the two dormant groups will precisely reveal the deterioration of the groups' movement. Apparently, the aggregated number commenced a continuous increase after its lowest point in 1981. Finally, both dormant groups became the majority of all registered ones. In another way, the operational groups became a minority, coincidentally with the rapid decrease of examined groups. As a consequence, the third period was literally the decline of the groups' movement, even though the total number of groups fluctuated little. Additionally, both dormant groups consisted of many members who did not benefit from the business operation. In 1982, for instance, it is estimated that the non-benefiting members represented 36 per cent of all the registered groups<sup>1</sup>. Since this year showed the smallest number of dormant groups, the proportion of their members in 1984 would reveal a rather higher indication.

In reference to the changes of the organizational indicators in the fishermen's groups, we shall conclude that the historical process from the outset to the present was divided into three periods. The first period was the external expansion; by contrast, the second period was the internal expansion, typically seen in not only the average number of members but also the number of operational groups; however, the third period was characterized by the deterioration of the group's movement. These divisions in the process respond to the trends of the business operation, as described in the next chapter. At any rate, so far as the organizational trends are concerned, the fishermen's groups might prematurely face difficulties several years after their establishment.

In the meantime, the diffusion of the fishermen's groups did not equally spread to all areas involved in fisheries. If anything, we may discern a noticeable regional differential in the formation of groups. Before referring to this, the most basic classifications of groups, that is, marine or inland fishery, or capture or aquaculture fishery, will be focussed upon. As of 1982, the groups in capture fishery exceeded those in aquaculture. The former amounted to 100 groups while the latter, only 31 groups. Furthermore, on dividing the capture fishery into marine and inland fisheries, it is discerned that the fishermen's groups were organized predominantly in the marine capture fishery. (See Table II-2). With respect to the periods of groups establishment, the marine capture fishery converged in the

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<sup>1</sup> This is estimated through the two former sources. (Ibid.)



Table II-2 Number of newly established groups shown by type of fishery

													No.
	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	Un-known	Total	Existing groups <sup>1)</sup>
Capture fishery		21	20	27	8	4	10	6	-	1	3	100	80
Marine		21	20	21	6	3	10	6	-	1	2	90	77
Inland		-	-	6	2	1	-	-	-	-	1	10	3
Aquaculture fishery <sup>2)</sup>	1	7	5	1	3	5	3	3	2	1	-	31	29
Total	1	28	25	28	11	9	13	9	2	2	3	131	109

- 1) This is based on interviews by the Department of Fisheries.
- 2) Distinction between inland and coastal aquaculture is not strictly possible except for the groups located inland; therefore, neither is classified here. According to the Department of Fisheries, eighty per cent of the groups seem to be for the purpose of inland aquaculture.
- 3) This does not include groups abolished before 1982.

(Source) "บัญชีรายชื่อของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ 2525" (List of agriculturist groups for capture fishery and aquaculture 1982).  
Department of Fisheries, Ministry of Agriculture and Cooperatives.

mid-1970s when the wide-spread fervent movement appeared. Afterwards, however, the number of newly established groups in this field rapidly fell and remained at a low level, except in 1979.<sup>1</sup> On the other hand, aquaculture did not meet the same hasty establishment as did the marine capture fishery. Aquaculturists constantly formed new groups, but at a slower rate. In detail, the change of members will show the extent of expansion in each classified group. At establishment, an aquaculturists' group constituted the most members while a group in inland fishery was organized by the smallest number of members.

<sup>1</sup> The reason why ten groups appeared in 1979 is probably because, during the oil crisis, the Thai government gave a high priority to distributing fuel oil for fishing vessels to fishermen's groups. (See the first section in the next chapter.)



Table II-3 Changes in membership

			No., %		
	Total members		Rate of increase %	Average No. of members per group	
	At outset <sup>1)</sup>	1982		At outset	1982
Capture fishery	5,482	7,596	38.6	51.2	71.2
Marine	5,109	7,124	39.4	52.1	72.7
Inland	373	472	26.5	41.4	52.4
Aquaculture fishery	1,943	2,378	22.4	62.7	76.7

1) This is aggregated members of all groups at different outsets.  
(Source) Ibid.

However, as of 1982, the scale of a group in the marine capture fishery approached almost that of the aquaculturists' group (see Table II-3). The average number of members in a group in the former increased noticeably and attained 20 new-comers after the establishment. Consequently, the groups in the marine capture fishery contributed about 80 per cent of all increased numbers from the beginning until 1982. Originally, these groups took a predominant position as regards to the number of both members and groups; later, this tendency was more accelerated. Thus, the whole trend of fishermen's groups was indeed influenced by the field of marine capture fishery.



From the viewpoint of regional scattering<sup>1</sup>, there was, superficially, little difference between regions, insofar as the marine fishery was concerned. However, as can be seen in Table II-4, the spread of both groups in inland capture fishery and aquaculture was more likely in specific regions. There were inland capture fishery groups only in Region VI; and aquaculturists groups were organized mainly in Region II. This manifested the diffusion of fishermen's groups in both fields, in contrast to the marine capture fishery. Assuming that most of the aquaculturists' groups were for freshwater fish aquaculture (second footnote of Table II-2), the concentration of the kind of groups in Region II seems to be contradictory to the real allotment of freshwater fish farming. This is because the region accounted for only 14 per cent of all fish farming in the country, during 1982. The other two regions, the North and the Northeast of Thailand, constituted almost three quarters of freshwater fish farming. These regions would have actively progressed towards the formation of groups. Apart from the number of farms, production in both areas was absolutely reversed. That is, Region II greatly outproduced the other regions. Furthermore, although these regions held a greater number of farms, they produced only 15 per cent of the whole country's commercialized produce for that year. On the other hand, Region II contributed not less than half of the commercialized produce

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<sup>1</sup> How to classify the regions is arguable, since there are different methods adopted in the related statistics. The description here will be based on the marine fishery census conducted in 1985. The areas involved in inland capture and aquaculture, which the census does not cover, will be added as other regions. Definition of the regions is as follows:

- |            |   |
|------------|---|
| Region I   | : Chantaburi, Trad, Rayong.   |
| Region II  | : Chachoengsao, Chonburi, Samut Prakarn, Samut Sakhon, Samut Songkram, Bangkok, Phetchaburi.            |
| Region III | : Chumphon, Prachuab Khiri Khan, Surat Thani.   |
| Region IV  | : Nakhon Si Thammarat, Narathiwat, Pattani, Phatthalung, Songkhla.                                      |
| Region V   | : Krabi, Trang, Phatthalung, Phangnga, Phuket, Ranong, Satun.   |
| Region VI  | : Northern Part of Thailand (Provinces with fishermen's groups are Phitsanulok, Sukhothai and Phichit). |
| Others.    |   |



Table II-4 Regional distribution of fishermen's groups

		Capture fishery		Aquaculture fishery	Total
		Marine	Inland		
Region	I	14	-	5	19
Region	II	16	-	18	34
Region	III	18	-	1	19
Region	IV	22	-	2	24
Region	V	20	-	-	20
Region	VI	-	10	1	11
Others		-	-	4	4

(Source) Ibid.

in quantity and more than 40 per cent in value, despite fewer farms<sup>1</sup>. Accordingly, there was much intensive farming with comparatively high productivity in this region while the other two areas still suffered from low productivity. In another way, the former might increase their commercial production while the others did not advance theirs. Therefore, the formation of groups in fresh water aquaculture progressed mainly in the areas of higher productivity, rather than in the areas where many aquaculturists remained less efficient.

The assumption, that the areas with higher productivity might be more interested in the formation of groups in the aquaculture field, is basically discernable in marine capture fishery too. Seemingly, the previous Table did not prove this supposition. So, we shall learn in more detail of the spread of capture fishery management and the extent of the spread of fishermen's groups. In the meantime, it must be understood that a fisherman cannot be a member of both a fishermen's group and fishery cooperative simultaneously. Therefore, areas in which fishery cooperatives have already formed normally do not organize any fishermen's groups. Moreover, there is no existing group in a certain area because the formerly implemented group has been transformed into a cooperative pursuing the initial objective of the formation of groups.

<sup>1</sup> The explanation above is taken from "Freshwater Farming Production in 1982" (Department of Fisheries, Ministry of Agriculture and Cooperatives).



Therefore, the combined trends of both cooperative organizations should be taken into account when focusing on the regional differentials in cooperation among fishermen.

Table II-5 indicates the numbers of members organized by the fishermen's groups in marine capture fishery, and that of capture fishery managements, in all regions. The first ratio shows the proportion of group members to all managements. Region III had the highest ratio while Regions IV and V showed the lowest. On adding members to the cooperatives, this ratio altered. Region II, whose percentage stood third, climbed to the top. The combined percentage was 35.8 per cent. That is, the fishery managements which were almost equivalent to those in the groups participated in the fishery cooperatives. In contrast, Region III,

Table II-5 Ratio of organized members by region

	Members of Groups in 1982 <sup>1</sup>	Capture fishery managements (CFM) in 1985 <sup>2</sup>	Ratio of organized members to CFM %	Members of fishery Co-op in 1982 <sup>3</sup>	Ratio of organized members to all groupings (OMAG) <sup>4</sup> %
Region I	998	7,167	13.8	338	19.8
Region II	1,244	6,875	18.1	1,214	35.8
Region III	1,569	7,370	21.3	111	22.8
Region IV	1,813	15,772	11.5	845	16.7
Region V	1,500	14,491	10.4	588	14.4
Total	7,124	51,678	13.8	3,096	19.8

- 1) "บัญชีรายชื่อของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ 2525"  
(List of agriculturist groups for capture fishery and aquaculture 1982).
- 2) "รายงานผลเบื้องต้นสำมะโนประมงทะเล พ.ศ. 2528" ("Preliminary report of the marine fishery census in 1985") National Statistics Office and Department of Fisheries.  
  
This figure includes the number of managements operating both capture and aquaculture fishery, besides managements specialized in capture fishery.
- 3) "รายชื่อสหกรณ์ประมง" ("Names of fishery cooperatives", Department of Cooperative Promotion.).
- 4) This ratio combines ratios of organized members to Groups and to Cooperatives in marine capture fishery. In addition, a fisherman or a fishery household can become a member of either a Group or a Cooperative.



which contained the highest percentage of group members, slipped to second position. Moreover, the difference between Regions I and III was rapidly reduced. In another way, Region III was more likely to concentrate only on the formation of fishermen's groups. In addition, Regions IV and V still had the lowest percentages for the combined groupings. Finally, the indicators, showing the extent of management participation in the two organizations, contained a noticeable differential between regions.

When comparing the combined ratio to catch per management in each region, we are struck by a parallel trend between the two. Above all, the lower a catch per management in a region, the less likely the indicator (OMAG) showing extent of cooperation was to rise. Indeed, the two regions in the southern part (Regions IV and V), with the smallest catch per management, encountered the lowest OMAG percentage. There, the productivity was sluggish. Numerous motorless fishing boats were still involved in production while in-board engine powered ones accounted for no more than 20 per cent of the total<sup>1</sup>. In addition, small-sized boats, (less than 14 metres long), constituted 60 per cent of the total vessels registered<sup>2</sup>. Despite the two regions having the majority of the managements in the country, they suffered from extremely low productivity per management. On the other hand, the higher OMAG was apparently corresponded to the higher productivity per management. Most of the figures for Region II proved the existence of many advanced managements who attained the highest figure for fishermen's participation in the cooperative organizations. Indeed, the majority of the fishing boats in the region were equipped with inboard engines, and not outboard ones. The majority of the registered boats were more than 14 metres long; moreover, one third ranged from 18 to 24 metres<sup>3</sup> in length. This region is thought to be the most developed in the country. It is remarkable that the most developed region achieved the highest OMAG percentage. Thus, the formation of cooperative organizations among fishery managements was manifestly related to the development level of managements.

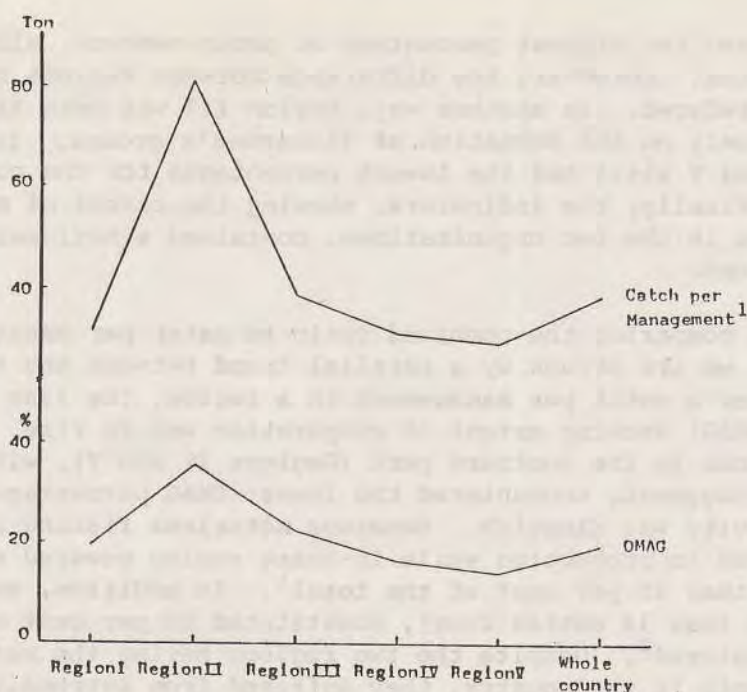
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<sup>1</sup> "รายงานผลเบื้องต้นสำมะโนประมงทะเลพ.ศ. 2528" ("Preliminary report of the marine fishery census in 1985"). National Statistics Office and Department of Fisheries.

<sup>2</sup> "Thai Fishing Vessels Statistics 1982". Department of Fisheries, Ministry of Agriculture and Cooperative.

<sup>3</sup> Ibid.





- 1) Annual catch per management is computed by the following:  
 "Fishery Record of Thailand in 1982" (Department of Fisheries,  
 Ministry of Agriculture and Cooperatives)  
 "รายงานผลเบื้องต้นสำมะโนประมงทะเล พ.ศ. ๒๕๒๕" ("Preliminary  
 report of the marine fishery census in 1985", National Statistics  
 Office and Department of Fisheries)

Figure II-3 Catch and ratio of organized members (OMAG)  
in the regions

Coincidentally, the tendency conceived will be found more or less within a region. Apparently, there was a differential in the ratio between provinces. For instance, Region I attained roughly the average OMAG percentage in the country. However, there were two contradictory provinces with respect to OMAG. Rayong Province indicated comparatively higher percentage (51.8 per cent), while Chantaburi Province remained at a low level (8.2 per cent). These figures mirror the productivity of the provinces' managements. Rayong Province attained almost three times the average catch per management, while Chantaburi Province reached only one third of it. Therefore, it is presumed that provinces with high productivity per management would be more active in the formation of groups and cooperatives.

From the aforementioned, we can pick out yet another characteristic which clarifies the formation of fishermen's groups. This is the



distinction between the diffused areas of the two organizations. Again, according to Table II-5, there is a differential in percentage of the groups' members to CFM, between regions. In addition, there is a distinct tendency towards forming fishermen's groups or fishery cooperatives, between regions. Region III was more likely to concentrate on the establishment of groups, while Region II was less likely to do so. It is noticeable that Region II showed the highest proportion of cooperative members in the country. That is, the region with the highest productivity took the most interest in the formation of fishery cooperatives, but not in fishermen's groups. In contrast, the areas with relatively lower productivity per management tended more towards establishing fishermen's groups than cooperatives. Typically, Region III, which took an intermediate position between the two areas with high and low management productivity, was destined to form groups. In fact, with respect to the means of production, this region shows more or less the average for the country. Concretely, the proportion of fishing boats with outboard engines accounted for the majority, but did not exceed Regions IV and V. Moreover, the proportion of boats powered by inboard engines is below that of Region II, but is above that of Regions IV and V<sup>1</sup>. At any rate, the fishermen's groups tended to be formed in rather developed areas. Therefore, we can conclude that the fishermen's groups were organized mainly in areas in which a management could catch more. However, the level of productivity per management in those areas was obviously lower than that in the areas where the cooperative movement progressed. This tendency is discernable between provinces in a region, as well. Rayong Province, given as an example above, contained a higher proportion of fishermen who participated in the cooperative movement. Of course, the groups' formation actively progressed, too. However, the other provinces which had a small production per management no longer advanced in the formation of cooperatives in the marine capture fishery, although some fishermen's groups appeared. Accordingly, we can also conclude that the tendency to form fishermen's groups in marine capture fishery is greatest on the outskirts of the most developed areas, or in Region II.

At this time, the initial objective of the groups' formation, i.e. that groups be formed in areas where cooperatives could not be organized, was achieved to a certain extent. Conversely, the anticipated tendency was not clearly shown in areas which remained at a lower level of productivity per management. The fragility of members' managements, distinguished from the cooperatives, might reflect the results of the business operation and management of the fishermen's groups. This point will be discussed in the next chapter, in a study on the trends of the above aspects.

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<sup>1</sup> "รายงานผลเบื้องต้นสำมะโนประมงทะเล พ.ศ. 2528" ("Preliminary report of the marine fishery census in 1985"). National Statistics Office and Department of Fisheries.



### III. Changing process of business and management in fishermen's groups

Although the group's concept mentions that the existing fishermen's groups would be transformed into cooperatives, this objective appears to have been confronted with various contradictions. In reality, some indications showing the organizational features have obviously revealed negative tendencies, as can be discerned from the previous chapter. Besides the occurring problems, this chapter will concentrate on an analysis of the process of the business activity and management, which ultimately reveals an insight that enables us to recognize the outcome obtained or difficulty faced by the fishermen's groups. Regrettably, the following description will only focus on the trends since the beginning of the 1980s, as data for the 1970s is not available. Furthermore, the sole source on which we can rely, "รายงานสถิติการเงินของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ" (Report and statistics of agriculturist groups for fishery and aquaculture), may partially cloud our view of the changing process of the above aspects. Results of the business activity, for instance, do not cover all activities that fishermen's groups are implementing. The businesses to which we are able to refer are mainly the loan and the purchasing businesses, since, the marketing and the service businesses are not clear. Therefore, the following explanation will inevitably concern the two business activities of which the source provides relatively clear outlines. However, it must be understood that, what has determined the business trends in fishermen's groups is beyond the scope of this report, since it aims at examining the group's income and financial position only. Normally, a fishermen's organization is considered to be influenced by fluctuating economic situations, in the same way as they affect a fishery management. The direction of the organization may be greatly determined by its economic surroundings as well as by its members. Typically, the "handled amount" of business will occasionally follow fluctuations in the members' economic orientation<sup>1</sup>. In addition to the economic factor, governmental policy may determine another direction for the organization. The more likely an organization is to show dependence on the policy, the more influenced it will be by the determiners of the policy. Insofar as the fishermen's group has come into existence as an economic organization led by governmental direction, any analysis of a group's activity cannot avoid considering these two factors. Therefore, the description hereafter has to refer to the external factors which may have affected the groups activities.

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<sup>1</sup> The "handled amount" means the sum total of economic activities in a fishermen's group. Otherwise, the term is replaced by "loan amount" in the loan business, "amount of goods sold" in the purchase business, and "amount of produce marketed" in the marketing business.



Additionally, what the available data provides is the salient points to analyze the real financial position of fishermen's groups and this will be mentioned in the introductory part of the next section.

# 1. Advancement and regression of the business activity

Despite the initial idea that any group can implement various kinds of businesses other than receiving deposits from members, the fishermen's groups have tended to concentrate on the loan and purchasing business since their inception. The income statements indicate that the marketing business has not been operated since 1981. All together, the existing groups have mainly implemented the loan and purchasing businesses plus the service activity. Of these, the trend of the loan business will be discussed first.

That the aggregation of loans to members has always fluctuated is the most noticeable changing process of this business, as can be seen in Figure III-1. In particular, the increase of loans within a year has fluctuated unprecedentedly, which means that the financial function of fishermen's groups is no longer stable. Considering the total amount, including the remainder from previous years and the increase within a year, the financial function has apparently weakened more than at the beginning of the 1980s. In 1982 and 1984, the groups hardly provided any financial service to members. The figure indicating the state of a fishermen's group will demonstrate the decline in financial activity. For instance, the loan amount per group fell to less than twenty thousand baht in 1984, equal to 41.1 per cent of that in 1980. Judging from the average increase in loans to members, there were many groups disengaging from this activity in 1984. Moreover, the estimated amount received by a member from a group, even though originally quite small, diminished further. Finally, the estimated loan per member in 1984 declined to only 272 baht. As far as this figure is concerned, we can conclude that most of the groups were not able to satisfy the requests of members. Besides this fluctuating, and decreasing amount, the loan businesses of the groups have tended to concentrate on providing only short-term loans. The figures showing increases in types of loan within a year point out that the group has devoted itself to crediting short-term loans in spite of its initially planned multiple-loan functions. Normally, the short-term loan aims at providing operating funds for necessities, such as fuel oil and ice. As can be seen from the Table, the groups could no longer enter the field of long-term loans which would have been for the purchase of heavy fishing equipment and fishing vessels. No group has provided long-term loans since 1980. Accordingly, the financial function of a group is characterized by small, short-term loans.



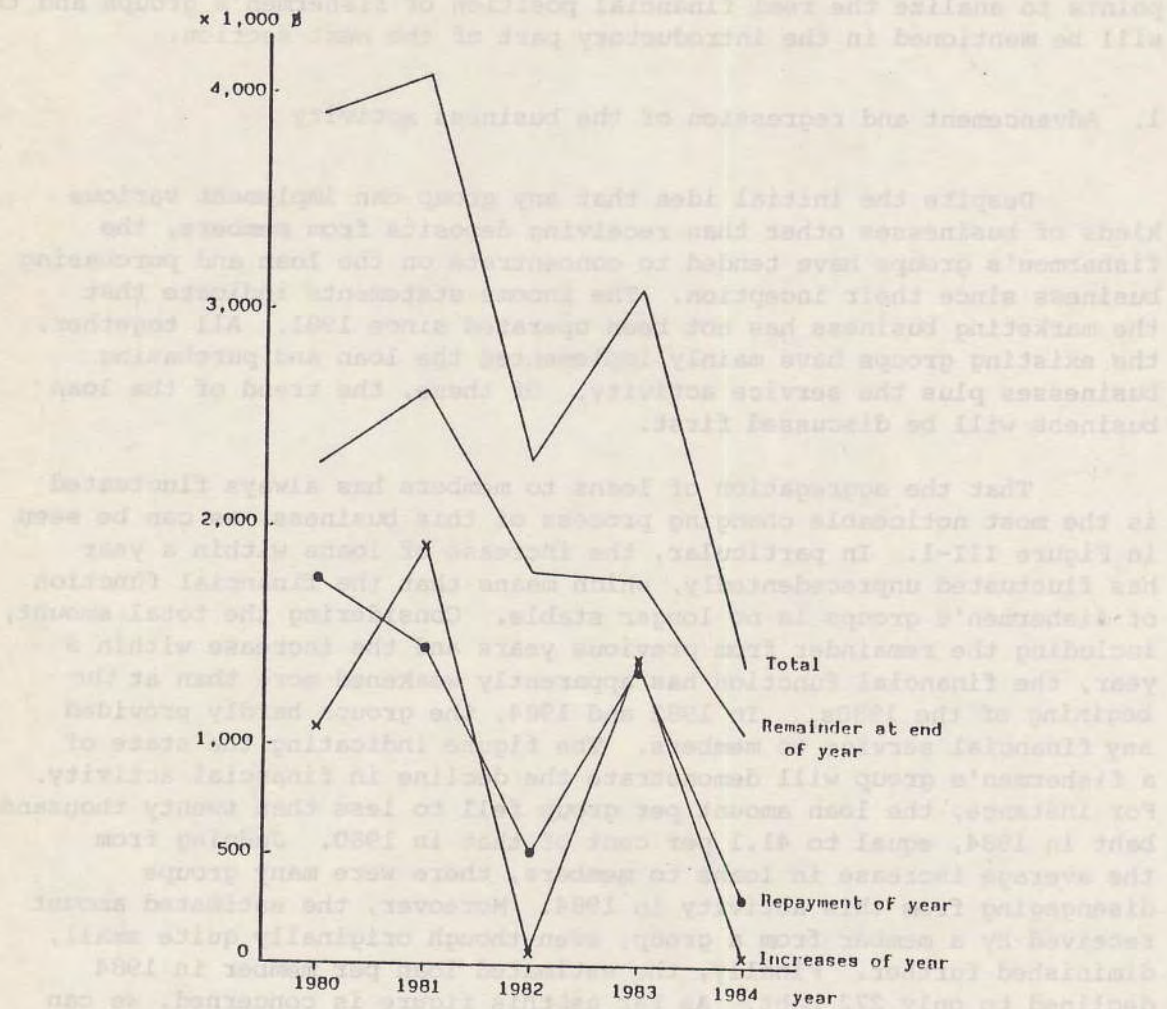


Figure III-1 Changing loan amounts in fishermen's groups



Table III-1 Loans to members per fishermen's group

	Baht				
	1980	1981	1982	1983	1984
Increase	13,107.07	21,500.45	611.76	16,329.56	64.29
Total amount	47,720.77	46,058.71	27,193.82	36,640.49	19,550.43
Repayment	21,732.08	16,465.52	6,069.04	16,044.15	4,345.31
Remainder at end of year	26,647.22	29,593.20	21,124.77	20,596.34	15,245.12

1) Total amount consists of both the remainder from the previous years and the increase within the year.

2) As the data does not include the number of groups operating a loan business, the above figures are computed by the number of operational groups implementing any kind of business.

Table III-2 Contribution of loans shown by term

	Increase					Remainder at end of year				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Short-term	90.2	79.1	100.0	99.4	100.0	40.0	41.9	34.9	49.9	52.3
Middle-term	4.2	20.9	-	0.6	-	57.2	56.0	63.4	50.1	41.0
Long-term	5.6	-	-	-	-	2.8	2.1	1.7	-	6.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

1) Definition of each term is as follows:

Short-term : within one year

Middle-term : from more than one year to three years

Long-term : more than three years



In comparison to the contribution of each loan at year end, we shall see that the middle-term loans have hardly ever been credited to members, except in 1981, but contributed a larger part of the total remainder than expected. Of course, the remaining amount of the middle-term loans naturally increased in the years after 1981, when the groups contributed 20 per cent of the whole increase to this type of loan. Its share of the remainder, however, appears to be a little excessive, since its maximum duration is three years. Although members have had few opportunities to raise the middle-term loan from the groups, its remaining amount reached 41 per cent of the whole at the end of 1984. This fact is probably caused by the unfavourable rates of members repayments. For instance, the aggregated rate of all loan repayments fell to 23 per cent in 1982 and 1984, while the data in 1980 showed more than 50 per cent. Severely fluctuating, the rate declined to the low level shown in the Table below. In particular, members were unlikely to meet the repayment of middle-term loans; and, the rate of actual repayment accounted for little more than 10 per cent against the expected one in the last two years. Yet the short-term loans, which took the most significant position in the business, have been confronted by the members' increasing default. Although the rate of repayment of short-term loans was high, namely, 80 per cent in 1980, this favourable repayment has, regardless of promising fluctuations, rapidly deteriorated. Of course, such negatives as an increase in members' default might have existed before the 1980s. It is easy to deduce this from the rate in 1980, when members of the groups could barely meet half of their liabilities. On the whole, the operational tendency of the loan business was towards deterioration, caused by members' default. This may have been of great significance in discouraging the groups' loan business.

The fishermen's group was destined to withdraw from this business due to the shortage of operating funds caused by the increase in default among members. This can be proved by the fact that within a year the increased loan amount had severely fluctuated; in particular, the groups

Table III-3 Rate of actual repayment against expected repayment

	%				
	1980	1981	1982	1983	1984
Short-term	80.1	54.2	23.6	62.7	30.1
Middle-term	21.5	28.1	21.4	13.3	14.7
Long-term	-	100.0	100.0	-	5.3
Total	54.0	47.4	23.2	46.0	23.0

Actual repayment/Expected repayment × 100(%)



ceased to provide middle-term loans to members after 1982 because of the reduced repayments. Eventually, the groups functioned only as sources of short-term loans. Moreover, the fishermen's groups were discouraged from implementing the business by another crucial factor. As mentioned before, the loan business of the groups was initially desired to mediate between financial institutions and those who used to be out-side the modern financial system. Therefore, the fishermen's groups have tended to rely on borrowed funds from related institutions since the establishment of the groups. Of course, the groups' own equity was thought to be another important source that could satisfy members demands. However, insufficient available equity would compel the groups to depend on borrowed funds<sup>1</sup>. In consequence, the fishermen's groups tended to depend on the onlending funds of the Bank for Agriculture and Agricultural Cooperatives (BAAC) rather than the groups own equity<sup>2</sup>.

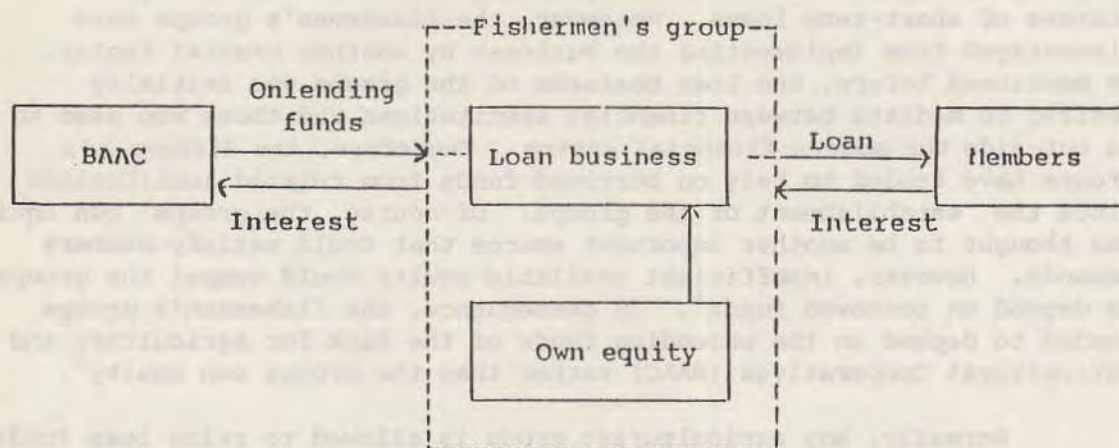
Normally, any agriculturist group is allowed to raise loan funds from the BAAC to operate it's loan activity. In this process, the groups will receive commission that covers business profit and operating costs, which result from the difference between the interest rates of the BAAC and the group. The following diagram will show the relationship between the BAAC and the group. As long as the equity of a fishermen's group is too small, the loan business may be affected by the attitude of the BAAC's management towards the groups. The bank's onlending activities with fishermen's groups were influenced by its attitude toward supporting the group business. In fact, the BAAC obviously has been reluctant to provide funds to the fishermen's groups. (See Annex II, Table 1). In so far as the last five years are concerned, the bank clearly tended towards severing its connection with the fishermen's groups, even after supplying extensive funds in 1981. This can be seen by the trend of increasing amounts that the BAAC supplied each year. For instance, in 1981 the amount of bank loans to fishermen's groups increased sharply.

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<sup>1</sup> For instance, share capital of members distributed 18.5 per cent of the total liabilities and equity as of 1980. Amount of share capital that a member fisherman held was only 572 baht.

<sup>2</sup> In addition, the BAAC provide the operating funds of the purchasing business as well as the long-term loans for large investment by the agriculturist groups. The combined proportion of both gained 2 per cent of the total disbursement to the agriculturist groups in 1983 ("Annual Report 1983", BAAC). Therefore, this does not affect the discussion here.





Interest payment a year ← 11% — Charge 2% as commission ← 13% —

1) Interest rate as of 1983.

Diagram III-1 Loan business money flow

Accordingly the groups loan business was able to increase loans to members. Conversely, no outflow from the BAAC to the groups discouraged this business, as shown in 1982. Of course, the fishermen's groups have still continued providing a financial service to members from their own equity or borrowed funds. However, the loan business of the groups has manifestly diminished, as indicated in Figure III-1.

In the meantime, the BAAC has three channels for lending funds to agriculturists (including fishermen and aquaculturists). Any agriculturist who requests financial support from the bank will be able to choose, to become either a member of a cooperative (fishery cooperative) or an agriculturist group (fishermen's group), or to be personally connected with the BAAC. In the first two cases, regardless of whether they opt for the cooperative or group, the member receives any loan from the bank through these cooperative organizations, as illustrated in the diagram. In other words, instead of the bank, these organizations are entrusted with providing and collecting the onlending funds of the bank. The first debtor to the bank, who actually receives loans from the source of onlent funds by the bank, is therefore a committed



organization, rather than its members. In contrast, the latter is based on a non-mediated relationship between the BAAC and its aquaculturist clients, some which establish client groups<sup>1</sup>.

As a whole, the BAAC apparently puts much more emphasis on direct relation with agriculturists than indirect relations where a cooperative organization would function as an intermediary. The number of the bank's agriculturist clients has continuously increased to more than half of the families supported by the bank. Conversely, not only the number but also the proportion of agriculturists in the agriculturists groups linked to the bank's financial activity have fallen sharply, while those of cooperatives' have become stagnant. Concretely, members of all groups that accepted the bank's services accounted for only 19 per cent of all eligible clients in 1977; afterwards, the proportion of the groups' members declined to 8.2 per cent in 1984. More crucially, onlending funds toward agriculturist groups have not been proportionally allocated to the groups, on the basis of number of members. On the other hand, even as early as 1975, the agriculturist clients of the bank received nearly 65 per cent of the total lending funds, while cooperatives and groups combined had 35 per cent<sup>2</sup>. More recently, those organizations have been even less well supported by the BAAC. In particular, the agriculturist groups have become increasingly less important since the end of the 1970s. In 1983, the bank assigned less than 2 per cent of all lending funds for agriculturists to the groups. In contrast, direct lending to clients reached 75.1 per cent at that time, although the number of clients was hardly more than half of all families financed by the bank<sup>3</sup>.

The fishermen's groups are no exception to the above tendency. Clearly, the BAAC has rapidly increased lending funds to fishermen clients while withdrawing support from the fishermen's groups.

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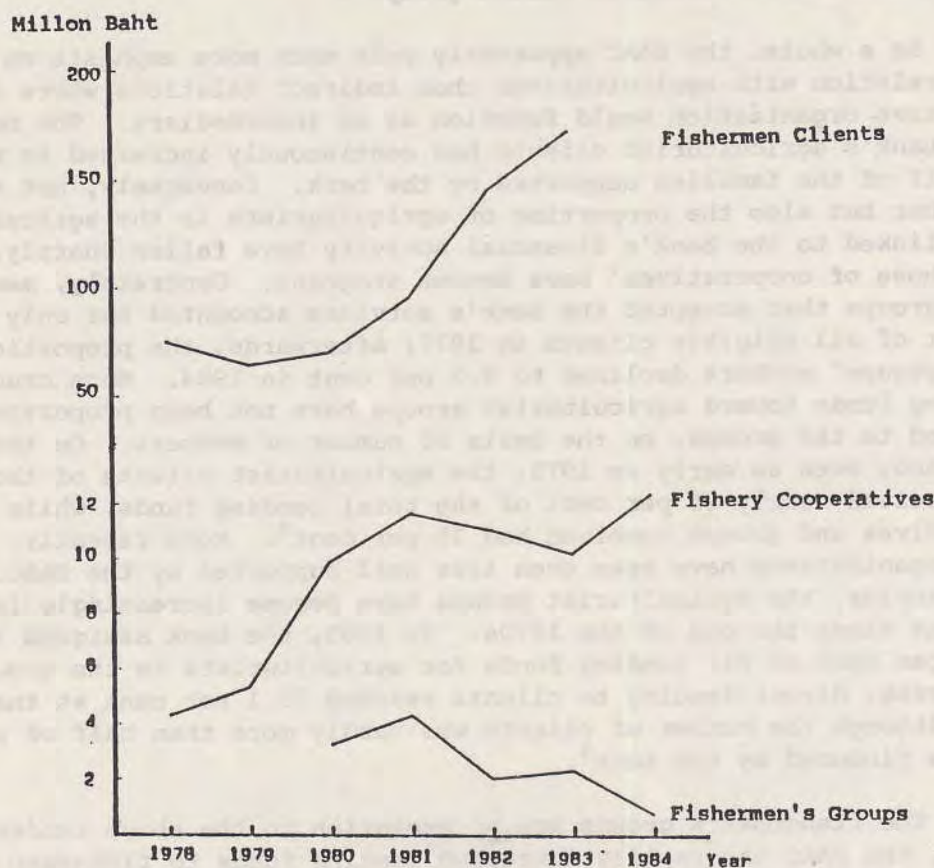
<sup>1</sup> According to the loan system of the BAAC, any person who is unable to furnish assets as loan collateral is required to join an informal client group. This group forms a system "with members jointly and severally liable" for any loans, and is under direct control of the bank. Normally, members of the cooperative organizations can no longer be members of client groups at the same time. ("Annual Report 1983", BAAC).

<sup>2</sup> "Annual report 1981", BAAC.

<sup>3</sup> Simultaneously, those figures imply that the clients of the bank are in a more favourable economic position compared with members of both cooperatives and groups. This is because on average the funds lent per client were larger than those per cooperative member who can only obtain the bank's loan through the organization.



(See Figure II-2). This is basically caused by the worsened level of repayments by members in the fishermen's groups, as tabulated in Table III-3. Lacking data we cannot compare it with repayments by



(1) Figures for the BAAC for 1984 not yet reported.

(2) Figures for fishermen's groups for 1978 and 1979 not available.

(Source) "Annual Report 1981, 1983" BAAC

"รายงานสถิติการเงินของสหกรณ์ประมงประจำปี 2521-2528" ("Report and statistics of Fishery Cooperatives, 1978-1984"). Department of Auditing. Ministry of Agriculture and Cooperatives.

"รายงานสถิติการเงินของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำประจำปี 2523-2527" ("Report and statistics of agriculturist groups for capture fishery and aquaculture"). Department of Auditing. Ministry of Agriculture and Cooperatives.

Figure III-2 Fishery loan activity of the BAAC



fishermen clients of the bank. As a whole, however, agriculturist clients could repay over 70 per cent of the total debt. In contrast, members of agriculturist groups repaid only about 30 per cent of the loans from the groups<sup>1</sup>. Therefore, the bank would have difficulty collecting lending funds from the groups, as long as it depended on the groups commitment to the loan business. Naturally, the bank preferred direct lending to this inefficient and risky channel<sup>2</sup>. Through this process, fishermen's groups (and all agriculturists' groups) could hardly function as intermediaries whose purpose is to link members having difficulty obtaining services to the modern financial institutions. This probably resulted in the diminution of the loan business.

Along with the regression of the loan business, the fishermen's groups may be confronted with an unhealthy financial position. Above all, the increasing default among members immediately affected the result of the business implementation. The table below, showing the change of gross profit in this business, points clearly to the deterioration. The imbalance between gross income and direct cost worsened<sup>3</sup>. While the gross income was stagnant at a low level, or decreased after 1980, direct cost continuously rose. The increasing direct cost surprisingly attained a rate of over 80 per cent during 1980 to 1984. Normally, the direct cost of this business consists mainly of interest payment on loans to financial institutions, particularly the BAAC.

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<sup>1</sup> Ibid. BAAC.

Additionally, cooperatives showed a little over 40 per cent of the expected repayment from their members.

<sup>2</sup> The details of lending to fishermen clients are listed in Table 2 Annex II. So far as direct financing of the BAAC to the fishery sector is concerned, at least two characteristics can be seen in the management direction of the banks, besides the above lending channels. First, the bank tended to function as a source of short-term loans, which equalled more than 80 per cent of the total amount. Second, the bank preferred aquaculture to capture fishery. As of 1983, loans for aquaculture represented more than 60 per cent of the total. In addition, the implemented and progressing development projects related to the BAAC, all concerned the aquaculture fishery. Apparently, the management of the bank had more confidence in a loan secured on landed property than in financing capture fishery.

<sup>3</sup> If a fishermen's group delays repayment to the BAAC, it is charged additional interest of 3 per cent per year (in 1983).



Table III-4 Operating results of the loan business  
per fishermen's group

	Baht				
	1980	1981	1982	1983	1984
Gross income	4,937.74	4,585.94	4,574.09	6,109.26	2,482.95
Direct cost	10,293.71	12,479.99	15,405.85	17,880.97	18,993.93
Gross profit	-5,355.97	-7,894.05	-10,831.76	-11,371.71	-16,510.98

These increases in direct cost are apparently contradictory to the fact that the BAAC reduced the amount of onlending funds to fishermen's groups. (See Figure III-2). The groups must have been charged overdue interest to the bank, which originated in the increasing default of the members<sup>1</sup>. This undesired payment forced this business to pay much more direct cost than necessary. Of total gross business profit, the profit earned by other business activities was reduced by at least 10 per cent by the loss of the loan business. (See Table III-5). Obviously, this business was a great burden to the management of the fishermen's groups.

The discussion thus far has revealed that the loan business has barely functioned, either as an intermediary with the financial institutions or as a source of mutual-finance. Presumably, this deviation from the initial idea of the group's activity cannot be corrected, as far as the tendencies that we perceive are concerned.

Table III-5 Gross profit of a fishermen's group shown by business

	Baht				
Business	1980	1981	1982	1983	1984
Loan	-5,355.97	-7,894.05	-10,831.79	-11,371.71	-16,510.98
Purchase	55,318.55	108,909.44	106,231.00	94,005.59	120,446.08
Marketing	242.56	-	-	-	-
Service	1,978.88	4,381.67	4,351.84	5,847.02	15,709.63
Total	52,184.03	105,397.05	99,751.05	88,480.90	119,644.73

<sup>1</sup> Gross business profit (or loss) = Gross income - Direct cost.



Meanwhile, the existing fishermen's groups have tended towards the purchasing business, instead of the dismissed loan business. At present, the purchasing business has provided the greatest economic basis for the management of the groups. In Table III-5, the gross profit per fishermen's group depended completely on the collective purchasing of goods. This gross profit was enough to make good the loss on the loan business. Moreover, the purchasing business apparently affected the increase or decrease in the amount of total gross profit of the group. Probably, this tendency towards an increase in this business might have been discerned before the 1980s, as well. It seems, however, that this tendency rapidly accelerated just after the beginning of the 1980s, judging from the increase of gross profit.

After 1980, the particulars of goods sold plainly indicate the character of this business. Firstly the amount of goods sold fluctuated widely. During 1980 to 1981, the total amount unprecedentedly increased; and it rose 130 per cent during that time. Immediately, after the peak of 1981, however, the business began to suffer a constant decline. In this regard, the process of this business seems to be similar to that of the loan one. Secondly, the purchasing business was strongly influenced by handling fuel oil and, except in 1983, this single item contributed almost one hundred per cent of the total value of goods sold. The rapid enlargement of this business during 1980 to 1981 resulted from the swift increase in the value of fuel oil, while the decreases of other years were caused mainly by its rapid reduction. This precarious dependence on fuel oil by the purchasing business is also common in fishery cooperatives. For instance, selling fuel oil accounted for 96 per cent of the total value of the business of the cooperatives in 1984<sup>1</sup>. Therefore, this striking tendency may be most significant to the Thai fishery, when cooperative purchasing comes into existence.

Table III-6 Amount of goods sold by fishermen's group purchasing businesses

				Baht : %	
	1980	1981	1982	1983	1984
Oil fuel	183,900,020.23 (98.7)	422,060,468.10 (98.3)	312,042,787.13 (92.3)	206,319,090.21 (69.7)	260,013,581.96 (97.7)
Rice	1,270,787.00 (0.7)	4,243,493.76 (1.0)	5,070,919.50 (1.5)	2,432,085.50 (0.8)	662,520.00 (0.2)
Ferterlizer	457,071.00 (0.3)	398,900.00 (0.1)	721,540.00 (0.2)	81,167.00 (0.0)	76,650.00 (0.0)
Materials and equipment	-	14,450.00 (0.0)	-	2,292,997.40 (0.8)	1,830,933.81 (0.7)
Others	559,558.00 (0.3)	2,691,798.10 (0.6)	20,392,672.82 (6.0)	85,172,010.34 (28.7)	3,781,545.75 (1.4)
Total	185,187,436.23 (100.0)	429,409,109.96 (100.0)	338,227,919.45 (100.0)	296,297,350.45 (100.0)	266,365,231.52 (100.0)

<sup>1</sup> "รายงานสถิติการเงินของสหกรณ์ประมงประจำปี 2527" (Report and statistics of fishery cooperatives in 1984). Department of Auditing, Ministry of Agriculture and Cooperatives.



Thirdly, there seems to be a contradiction between the fluctuations of gross profit and amount handled in the purchasing business. For instance, the gross profit did not decrease proportionally to the decreasing amount of goods sold; in fact, it even increased sometimes. This probably means that the fishermen's groups strengthened this business to provide a most important source of capital for their managements. We can see this attitude in the change of commission rates in this business. Specifically, in 1980, the purchasing business set commission at 2.49 per cent; then in 1984, it was raised to 3.2 per cent. So, we might assume that the groups, in order to avoid the reduction of business profit in proportion to the continuous decline in amount handled, raised commission rates. Compared to fishery cooperatives selling fuel oil, these rates were obviously higher, since the cooperatives charged little more than 2 per cent in the purchasing business. Although a direct comparison between the groups and the cooperatives may not be appropriate, (because of differences in the amounts of fuel oil handled), even a slight difference in commission rate is meaningful. This is because the price of oil distribution has been determined officially throughout the country. If any cooperative organizations can purchase diesel oil from the same agent under similar conditions, the cost price varies little, ignoring transportation costs. The difference in retail price will be directly related to the difference in commission charged by these organizations. Therefore, the higher commission rate probably brings a higher retail price to members as purchasers. In this regard, the groups' purchasing business might not be sufficiently competitive.

Apart from the business trends referred to so far, we will have to discuss the reasons why the fishermen's groups converged the handling of fuel oil, particularly diesel. This may lead to recognition of what business activities have been demanded by members. Inevitably, the focal points hereafter concern the groups activities in marine capture fishery, since the groups in this field were thought to most affect the purchasing of fuel oil.

The Second Oil Crisis, most crucially, directed the fishermen's groups towards concentrating on the handling of fuel oil.

The first rise of diesel oil prices came into effect in January, 1979. Until then there had been little fluctuation in price. The increasing rate counted 17.2 per cent at the retail stage. From this first rise until January 1981, the price intermittently jumped; finally, it rose three times. Concretely, the official retail price increased 60.8 per cent in July 1980, eight months after the first rise. In the same year, fishermen encountered another swift increase from 4.17 baht to 7.12 baht per litre, a rise of 51.2 per cent. In the end, the retail price of diesel oil rose about 185 per cent, when compared



to that in 1979 before the Oil Crisis<sup>1</sup>. (See Annex II, Figure I). These unanticipated and extreme increases in the price, severely damaged the marine capture fishery managements. For instance, the number of registered fishing boats declined sharply from 1980 to 1981, whereas, in previous years it had increased steadily. Indeed, no less than a quarter of the registered boats in 1980 disappeared from the statistics of 1981<sup>2</sup>. The otter board trawlers, contributing the majority of the total boats, suffered the most severe decline. Boats less than 14 metres long, which accounted for about 70 per cent of the total in 1980, were subject to the most rapid decrease. In other words, the fishing boats which held the most significant position in the Thai marine fishery were the most depleted. This tremendous loss might be attributed to the fact that the operation of the fishing boats originally tended to involve considerable expenditure on fuel oil. For instance, it was assessed that the operation of otter board trawlers used 40 per cent of the disbursement for fuel oil against the variable cost, and 35 per cent of the total cost including the fixed cost (in 1977)<sup>3</sup>. Therefore, this high percentage of fuel oil was further lifted during the Oil Crisis.

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<sup>1</sup> Normally, the official retail price of oil in Thailand consists of ex-refinery cost, marketing margin, excise and municipal tax and others. The proportion of each component is determined by the government, even though the retail price is fixed. Concerning the system of oil distribution and decision methods for the retail price, refer to "การกำหนดราคาพลังงาน (Specifying energy price)" (Dr. Kitiporn Limpisawaat, Faculty of Economics, Thammasart University, January 1983).

<sup>2</sup> The number of fishing boats registered fell from 19,511 (in 1980) to 14,273 (in 1981). ("Thai fishing vessels statistics 1980 and 1981"), Department of Fisheries.

<sup>3</sup> "ภาวะต้นทุน-รายได้ของเรือประมงอวนลากปี 2520" ("Conditions of cost-earning in trawl fishery, 1977", Department of Fisheries). Of course, the proportion of this varies according to boat size, engine power, trip length. In addition, the 1982 survey reported that the expense of diesel oil reached nearly half of the variable cost and 45 per cent of the total cost in the operation of 18-metre otter board trawlers. Although we cannot compare both tabulated figures because of the different sources, we can assume how the trawlers suffered increasing expense for diesel oil. "เศรษฐกิจการประมงทะเล" ("Economics of Marine Fisheries", 1983. Agriculture Economics Office, Ministry of Agriculture and Cooperatives).



A countermeasure against the Oil Crisis was needed to protect fishing boats managements from financial suffering in their operations. The related institutions, particularly the Department of Fisheries and the fisheries sections of the local administrations, commenced coping with the urgent problem of fishermen being unable to put to sea<sup>1</sup>. In order to adjust the imbalance between supply and demand for fuel oil in the fishery sector, the local administrations, investigated all data, including the number of those who had encountered a shortage of fuel oil and the amount needed to make it up. Realizing the existing imbalance in each province enabled the government to make a fuel oil distribution. By this involvement of the government, fishermen satisfied their demand for fuel oil through the Petroleum Authority of Thailand (the governmental enterprise), or other private enterprises<sup>2</sup>. The fishermen's organizations (the fishermen's association, the fishery cooperatives and fishermen's groups) were expected to channel the flow of fuel oil under official supervision. That is, these organizations would receive the amount determined by the government and distribute it to their members. Of course, any fishermen would be permitted to purchase individually from gas stations through regulated procedures; however, purchasing through the organizations was more beneficial. As long as they adhered to some principles, such as paying cash to the distribution agencies and transporting the oil themselves, the organizations benefitted from a discount price, particularly from the governmental enterprise agencies. At any rate, this governmental countermeasure against the Oil Crisis greatly depended on the participation of the fishermen's organizations.

In reality, the fishermen's groups under governmental supervision satisfied the members demand. So, too, did the fishermen's associations. However, the fishery cooperatives did not sufficiently display their

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<sup>1</sup> In July 1980, 30 per cent of fishermen faced bankruptcy after the fastest oil price rise seen to date. The Thai fishermen's associations demonstrated against the government in demand of an effective solution to this problem. The details are referred to "เหตุการณ์ของประมง (Fisheries Events)" ("ชาวประมง", March, 1980).

<sup>2</sup> For instance, the Department of Fisheries informed the government in September, 1979: of the need for 60 million litres per month, and the 20 million litres, thought to be a real shortage in twenty-three coastal provinces, was allocated to the fishing operation. ("ให้รายงานผลการใช้มาตรการควบคุมน้ำมันเชื้อเพลิงเพื่อการประมง") ("Report of the fuel oil control measures for fishing", 26th September, 1979, Department of Fisheries).



distribution ability, because of their small number<sup>1</sup>. The fishermen's groups were perhaps more active than the associations, since the latter did not originally engage in this economic activity. In Rayong Province, for instance, the government decided to allocate 114,000 litres of diesel to make up for a shortage there (in September, 1979). Of this amount the fishermen's groups in the province received about 67 per cent, while the remainder went to other organizations<sup>2</sup>. Of course, which organization took the majority of distribution might vary from province to province, according to the extent of expansion of each organization. However, judging from the number of fishermen's groups and the trends of their purchasing business, we may assume that the groups channeled the oil allotment more efficiently than the others. As discerned before, the fishermen's groups climbed to the top of some scales showing the extent of organizational features, such as the number of operational groups and average number of members per group. The fishermen's groups obviously progressed from 1980 to 1981. This gratifying expansion was due to the privilege of their exclusive oil distribution during the crisis. This undoubtedly impelled fishermen towards the utilization of the groups' activity. Thus, the officially controlled distribution provided great impetus to the advancement of the fishermen's groups. Simultaneously, the related institutions assigned to assist the groups, especially the Fish Marketing Organization, provided immense operating funds in order to expand their purchasing activity. This reliable finance source further encouraged the groups' handling of fuel oil.

However, as soon as the Oil Crisis began to subside, the direction of the groups purchasing business divided into two. One was further expansion; and the other was the rapid decline, such as the fishermen's groups withdrawing from this business or ceasing it. In fact, as a whole the latter movement predominated overwhelmingly since the imbalance between demand and supply of oil had disappeared with the fall in price. Obviously, the cessation of the Crisis released fishermen from the necessity of staying on the groups' distribution line. Furthermore,

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<sup>1</sup> Surprisingly, ten fishery cooperatives were established during 1980 and 1981. Before then, the number of cooperatives had reached only ten. Therefore, the initial objective of these cooperatives seemed to be to facilitate the steady purchase fuel oil for their members.

<sup>2</sup> "รายงานการประชุมคณะเจ้าหน้าที่จัดสรรน้ำมันเชื้อเพลิง" (Minutes of fuel oil distribution officers meeting. Rayong Provincial Office. September, 1979.

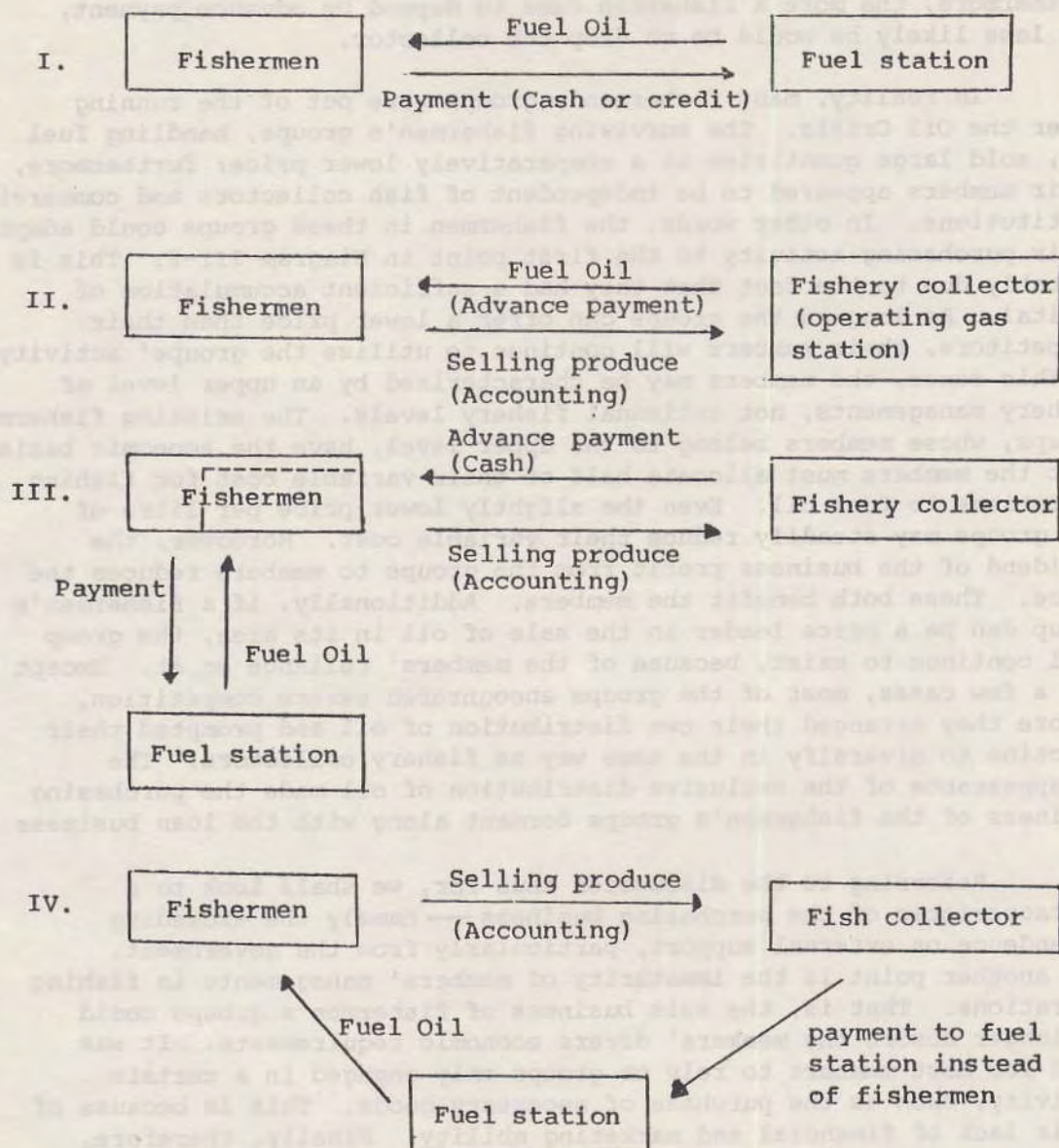


the disappearance of the exclusive flow of oil towards the fishery sector spurred competitors, once again, to start handling fuel oil in competition with the groups. The competitors provided more flexible and beneficial credit services to fishermen, even when the groups persisted in paying cash. Whenever necessary, the competitors offered rather longer-term credit to fishermen than the groups. Accordingly, the fishermen's groups were destined to enter into competition, due to the lack of an officially controlled oil flow.

In general, in marine capture fishery a competitor who handles fuel oil is often a fish collector, or has a tight link to such a merchant. So far as we can perceive, there are at least four channels through which fishery managements supply fuel oil, as illustrated in Diagram III-2. The first point in the Diagram shows direct purchase from a fuel station. Of course, the groups' purchasing business can replace the fuel station. The subsequent three points indicate that fish collectors, directly or indirectly, mediate the flow of fuel oil to fishery managements. Further, we can assume that many managements follow the latter patterns, becoming dependent on the advance payment by the fish collectors. Normally, the fishery managements tend to rely on advance payment to obtain needed production materials, such as fishing equipment, ice and fuel oil. The source of their operating funds is derived from the fishery collectors to whom the managements almost exclusively sell their fishery produce.

This established link between the collector (or related suppliers of goods) and fishermen appears to have been a major obstruction to the expansion of the groups' businesses. This is because most of the fishermen's groups tended to concentrate only on the handling of fuel oil, they neither marketed the members' produce nor extended sufficient financing. In contrast, a fishery collector often has multiple-economic functions that respond to most of the economic requirements of the fishery managements, such as providing production materials, a financial service and receiving and marketing fishery produce. For the collector, to mediate the flow of fuel oil is a significant step in achieving the fishermen's reliance on him. This is because fishery managements in Thai marine fishery have tended to spend a lot on fuel oil. A close connection with the fishermen's purchases brings a collector an enlargement of his marketing activity, and or the exclusive acquisition of their fishery produce. In return, a collector sometimes provides relatively favourable conditions for the fishermen to purchase necessary goods. Concretely, the collector (supplier of goods related to him) offers longer-term credit than his competitors'; he also allows deferment of fishermen's repayments, if necessary. The fishermen's groups which handled only fuel oil were naturally unfavourably compared under the above conditions, by members and non-members alike. Thus, except during an emergency like the Oil Crisis, fishery managements, especially those which could not operate without dependence on the diversified functions of the collectors (or related commercial institutions), might hesitate





1. Normally, cash payment in advance for purchasing is without interest.

Diagram III-2 Flow of fuel oil to fishermen



to utilize the groups' business, because of their restricted function. Furthermore, the more a fisherman came to depend on advance payment, the less likely he would be to drop the collector.

In reality, many fishermen's groups were out of the running after the Oil Crisis. The surviving fishermen's groups, handling fuel oil, sold large quantities at a comparatively lower price; furthermore, their members appeared to be independent of fish collectors and commercial institutions. In other words, the fishermen in these groups could adapt their purchasing activity to the first point in Diagram III-2. This is probably due to the fact that they had a sufficient accumulation of capital. As long as the groups can offer a lower price than their competitors, their members will continue to utilize the groups' activity. In this sense, the members may be characterized by an upper level of fishery managements, not artisanal fishery levels. The existing fishermen's groups, whose members belong to the upper level, have the economic basis that the members must allocate half of their variable cost for fishing operations to fuel oil. Even the slightly lower price per litre of the groups may steadily reduce their variable cost. Moreover, the dividend of the business profit from the groups to members reduces the price. These both benefit the members. Additionally, if a fishermen's group can be a price leader in the sale of oil in its area, the group will continue to exist, because of the members' reliance on it. Except for a few cases, most of the groups encountered severe competition, before they arranged their own distribution of oil and prompted their function to diversify in the same way as fishery collectors. The disappearance of the exclusive distribution of oil made the purchasing business of the fishermen's groups dormant along with the loan business.

Referring to the discussion thus far, we shall look to a characteristic of the purchasing business — namely the exceeding dependence on external support, particularly from the government. Yet another point is the immaturity of members' managements in fishing operations. That is, the sole business of fishermen's groups could no longer absorb the members' diverse economic requirements. It was hard for most members to rely on groups only engaged in a certain activity, such as the purchase of necessary goods. This is because of their lack of financial and marketing ability. Finally, therefore, members were drawn towards commercial institutions who could totally satisfy their wants.

Apart from these main businesses, some fishermen's groups have invested in their own jetties for the convenience of their members. Instead of small individually owned jetties, a fishermen's group can construct and manage a larger one as part of its service activity<sup>1</sup>.

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<sup>1</sup> Fish Marketing Organization (FMO) had a programme of financial assistance to enable fishermen's groups to construct jetties. In the case of a certain group, FMO provided a grant of half the construction cost while the remainder was lent without interest.



The group charges a fee to members and fishery collectors who use the jetty, which will be used for maintenance and re-investment. Furthermore, the possession of a jetty may bring about another outcome to the group's benefit. The handled amount of the group's businesses may increase, if the members frequently use the jetty. The group obtains the opportunity of providing production materials to users, such as fuel oil and ice. On the other hand, the abundance of fishery produce at the jetty may prompt the group to commence marketing the members' produce. Thus, the possession of a jetty may be the impetus to diversify and expand the group's functions.

Moreover, the appearance of a larger landing place brings another important benefit to the members'. Generally, in a fishing community, there are some small landing places owned by fishery collectors or fishermen, in addition there may not be adequate facilities, because of geographical conditions, such as a shoaling beach and therefore, the unloading of fishery produce is often scattered, even in a small community. This is a great obstruction to the community developing as a major productive area, where fishery managements would be able to strengthen their economic basis. This may be caused by the fact that the scattered unloading prevents the formation of standardized prices for fishery produce. In fact, even in a restricted area, the price level of a certain species sometime varies between places, because of small and scattered trading. The special relationship between a fishery collector and a fishermen dominates the price formation, without responding to trends in the distribution places. Insofar as a large amount is unloaded in one place, the standardized price may be formed more easily at least within an area. Normally, the inconvenience of unloading fishery produce discourages fishery collectors to take up active marketing, since they face ineffective and inefficient collection. Accordingly, the jetty, at which a large amount of fish is prepared for distribution, attracts collectors to gather there. In this way, the members of a group may receive a rise in price level through competition among the collectors.

By way of an example, a fishermen's group in Rayong province constructed a jetty with the financial support of the FMO, in order to help fishermen effectively unload their produce. Before then, the shallow water used to prevent fishing boats from unloading in one place. Sometimes, relatively large fishing boats were directed towards other jetties in adjacent areas. Besides inconvenience to the fishermen, the area where fish collectors actively received fishery produce was limited. Local collectors and small retailers most of whom were housewives channeled the commodities to the adjacent areas. However, the solution to the decentralized unloading brought a remarkable increase in new collectors, both from outside and inside the group's area. Naturally, the appearance of newcomers, particularly from outside, generated a rise in fish prices. The improvement of marketing conditions, coincided with the formation of multiple distribution channels, resulting in an enlargement of the production of fishery management. Obviously, the construction of



the jetty provided the fishermen with this economic improvement, through attracting collectors there. In addition, the jetty expanded the economic basis of the fishery (not only capture fishery but also related sectors): investment opportunity. Notably, the anchovy purse seine fishery in the area suddenly developed, although the number of managements engaged in this remained unchanged. Firstly, new investment in fishing boats occurred, just after or before the jetty was constructed, the new vessels were larger than existing ones. Secondly, the abundance of produce from this fishery created a new opportunity, accompanied by the commencement of diversification among the managements of the anchovy purse seine. That is, some of boat owners began to operate fish sauce factories within the group's area, and became collectors of anchovy for external factories. Formally, the managements of this fishery in the group's area were nothing but suppliers of raw materials to the factories located outside the area. Apparently, the increased unloading stimulated some of the managements to invest professionally and/or enter the related sectors. Instead of the former scattered distribution, the utilization and collection of anchovy were rapidly rearranged within the group's area, mainly by investment by the group's members. Thus, the jetty has generated not only a higher price level for produce, but also systematized distribution within the area<sup>1</sup>.

On the other hand, some fishermen's groups that own their jetties seemed to have difficulty in maintaining them. The ownership naturally requires a large initial investment and continuous maintenance. Even though the initial investment can be supported by the FMO, the fees charged for its use to members and fishery collectors are for the operation of the jetties, and furthermore, repairs. It has happened, however, that due to inadequate charges to users the annual operating costs could not be met. Worse, rather larger more costly repairs were often neglected. Even if a jetty could be improved through necessary repairs, the fishermen's group might have to cover the expense from the profit of other businesses, but not from this service business. Ending with the group feeling the large loss in the whole business. In fact, one fishermen's group, which used to have a profit from its

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<sup>1</sup> The above description is based on "A brief report of the survey in Ban Ao Makham Pom" (Unpublished, Author, April in 1986). As reference material, the following reports will be of use to clarify the role of the jetty constructed by this fishermen's group. "Socio-economic structure as a function in small-scale fisheries development at Ban Ao Makham Pom" (Department of Fisheries, 1985), "Review of the Ban Ao Makham Pom Project" (Department of Fisheries, 1985).



business operations, suddenly fell into the red in 1985. This was the result of the enormous expense of repairing its old jetty. This unavoidable expense was almost equivalent to the total loss for that year, judging from the differences in the income statements between that year and the previous one. Fortunately, the group could make its deficit up from the accumulation of its own equity<sup>1</sup>. Generally, however, there did not appear to be many groups who had accumulated enough funds to compensate for such a large disbursement. Ideally, the preparation for maintenance and reinvestment of a jetty is achieved by the service business itself, especially through the accumulation of depreciation cost. To some extent, of course, the profit of other businesses can be diverted, in the sense that the existence of the jetty spurs members to utilize the groups' business. But, an exceeding dependence on the other business probably has adverse affects on the whole business operation. We can presume easily that the inadequate operation of a jetty might cause a shortage of operating funds or enlargement of the existing deficit. Indeed, it was found that a group, which borrowed funds for investing in its jetty from a related institution, was burdened with overdue interest payments in the face of delayed repayment, even with no interest on the principal. In fact, the fishermen's group could not provide fuel oil to all it's members on credit, but mainly for cash. As well, the price of ice was rather expensive because of a high commission rate. These disadvantages to the member partially resulted from incompetent operation of the jetty. Although the existence of a jetty may unexpectedly benefit members, its operation needs a healthy managerial attitude on the part of the group.

Referring to the discussion so far, we can point to the downward trends of the business activities, as a whole. We will continue to examine the managerial situation of the fishermen's groups, by considering how the business trends affected, in particular, the financial positions of the groups.

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<sup>1</sup> This description is taken from "กลุ่มเกษตรกรทำประมงบางเสร่ งบดุลย์ ณ วันที่ ๓๐ กันยายน 2528" (The balance sheet of the Bangsalay fishermen's group, 30th November, 1985), This was submitted to the annual general meeting.



## 2. Changes and characteristics in the management of the fishermen's groups

Hereafter, the managerial situation of the fishermen's groups will be in focus, based on the same data as in the previous section. The most important point is, of course, to clarify the financial position of the groups. Before going into this subject, we have to note that there are obstructions to examining it. This is because a complete reliance on the available data may confuse us, owing to its uncertainty. Therefore, we shall point out in advance the limitations of the available data in order to avoid misleading the reader.

The first limitation is that the data presents only figures aggregated by the examined fishermen's groups, with no classifications. It is impossible to investigate the characteristics of the financial position of each classified group. Concretely, a distinction between fishermen's groups, such as single-purpose (operating either the loan or the purchasing business) and multi-purpose groups, cannot be perceived. Normally, there should be considerable differences between the different groups, particularly in their management. For instance, a group operating only the purchasing business may bear a close resemblance to a trading company which needs to keep inventories and accounts receivable. On the other hand, a group concentrating only on the loan business may present another characteristic. That is, a large part of its assets may be invested in account receivable-loans and receivable-interest. Therefore, the asset structure of this type is manifestly different from the former type's. Yet another type, a multi-purpose fishermen's group, which probably operates both the loan and purchasing businesses, is characterized as intermediate between the former two single-purpose groups, with regard to its allocation of assets. Furthermore, this group circulates its operating funds internally, which distinguishes it from the others. That is, the funds absorbed in the loan business may temporarily flow to the purchasing business as revolving funds and the funds in the purchasing business may flow towards the other business. Thus, a multi-purpose group would partially depend on the internal adjustment of its operating funds between the businesses, besides its own equity and borrowed funds. This movement naturally creates a different financial position from the single-purpose groups. But, the data does not include these relevant classifications.

The second limitation is that the data does not contain any classifications for fisheries. Generally, the financial position of the groups differs according to their member's economic activity; typically, a remarkable distinction among the groups lies between capture and aquaculture fisheries. The difference in members activities will affect not only the direction of the business implementation, but also the financial position of the groups. Suppose two different groups in capture and aquaculture fisheries operate a purchasing business.



First of all, each group deals with different goods to the other and they need distinct periods for collecting accounts receivable because of their members revolving funds. As to a capture fishery group, the period may be determined by the duration of a boat trip for capture. Probably, a shorter trip would provide quicker collection of accounts receivable, while a longer trip makes a group keep accounts receivable over a more prolonged period. On the other hand, the period necessary for an aquaculturists group may depend on the breeding period of the cultured species, if they utilize the purchasing business on credit. Consequently, the aquaculture group will show different ratios, from a capture fishery group, for instance for accounts receivable and inventory turnover. Thus, the analysis of the financial position of the different groups requires taking into consideration the differences in their members' economic activity. However, it is impossible for us to examine this aspect.

The third limitation comes from a lack of distinction between profitable and non-profitable groups. In comparison to a profitable group, a non-profitable one probably shows a particular financial situation, such as indicating high credibility on liabilities, and keeping uncollectable receivables and out of date inventories. However, we only have indicators showing the overall trend of fishermen's groups. This may cause us to lose sight of the real managerial situations of profitable and non-profitable groups. Moreover, the aggregated figures include those of the dormant groups that have already ceased all economic activity resulting in a profit or a deficit. For instance, the figures of the financial statement in 1984 consisted of one hundred and two examined groups from among the registered ones (one hundred and forty-one). In reality, however, only seventy-two groups implemented a business activity, while the remainder were completely dormant. But, the tabulated figures in the statement were constituted from both the operational and dormant groups. No doubt, we will find it difficult to illustrate precisely the financial position of the operational groups. This is because the non-active groups, with their assets and liabilities not being liquid, might present figures as if they were the results of a business operation. Yet more confusion arises when examining the relationship between the financial and income statements. This is caused by: the results of the income statement being derived only from the operational groups, while those of the financial statement included both the dormant and operational groups. Naturally, this point obstructs our assessing the effectiveness of a business among the operational groups.

As a result of these limitations, we are obliged to illustrate roughly the managerial situation of the fishermen's groups.



First, we will classify the management of the fishermen's groups, based on their financial statements for 1980 to 1984. To begin with, the trends shown in the statement will be focused on in due order of assets, liabilities and equity. The figures indicated in Table IV-7 show some specific tendencies. The most remarkable tendency is that the total assets of a group severely fluctuated even during the five years from 1980 to 1984. Concretely, the total amount of assets reached a peak in 1981, and fell till 1983; and then rose again in 1984. This fluctuation partially resulted from the alternatives to current assets which ranged from 65 to 70 per cent of all assets. Indeed, an annual increase or decrease in total assets, was attributed to the changes in current assets, except for the period 1981 to 1982. Between 1980 and 1981, the current assets produced a rapid rise of the total assets, whose proportion to the total increase accounted for 66 per cent. Conversely, the decline from 1982 to 1983 was the result of a rapid decrease in current assets, equivalent to 74 per cent of the total change. (See Annex II, Table 3(1)).

In addition, however, these changes in current assets showed distinct characteristics. On one side, accounts receivable-loans continuously decreased; for instance, their proportion was 7.8 per cent of the total assets in 1980, but only 3.2 per cent in 1984. Adding accrued receivable interest to this percentage, the assets related to the loan business accounted for about 18 per cent at the outset of the 1980s; only to, decline and later account for only 4.1 per cent of the total. In other words, fishermen's groups swiftly diminished their allocation of assets to the loan business after 1980. This tendency seems to be in accordance with the groups managerial attitude towards this business, as described in the previous section. On the other hand, inventories and supplies awaiting for sale rapidly increased and coincided with a certain fluctuation. Their percentage of the total assets rose from 1.2 per cent in 1980 to 16.1 per cent in 1984. Consequently, inventories and supplies, regardless of increase or decrease, were directly linked to the overall change in the group's assets. By way of example, the increase in all assets from 1980 to 1981 was greater partly because of the rise in inventories and supplies. Indeed, the inventories and supplies made up no less than 70 per cent of the whole increase. Conversely, when the total assets met a decrease during 1982 to 1983, the inventories and supplies were the determinant of this change. Furthermore, another asset related to the purchasing business, namely accounts receivable, usually remained at a level of 10 per cent overall. As a result, the combined proportion of the stock and accounts receivable ranged from 28 to 35 per cent after 1980. Thus, a fishermen's group was more likely to give priority to the assets of the purchasing business.



Table III-7(1) Financial statements of fishermen's groups....Assets....

Baht.

	1980	1981	1982	1983	1984
<b>Current assets</b>					
Cash in hand and in Banks	76,384.03	80,476.41	71,215.46	69,347.65	70,854.16
Accounts receivable-loans	19,685.33	23,103.46	14,480.69	14,760.71	10,462.33
Accounts receivable	31,246.05	47,513.11	37,349.65	35,575.38	39,333.06
Accounts receivable others	11,429.33	13,544.50	9,452.45	12,534.37	28,892.74
Inventories and supplies	2,984.46	35,180.27	64,492.08	48,876.62	52,987.98
Interest receivable	24,622.55	3,719.21	3,688.97	3,728.07	3,112.53
Deferred income and others	9,558.87	2,782.03	4,245.06	2,215.29	11,213.21
Total current assets	175,868.59	206,319.01	204,924.39	187,038.07	216,856.04
<b>Fixed assets</b>					
Land	8,217.97	7,431.55	7,235.46	10,431.36	7,071.80
Construction	39,351.59	46,971.85	39,071.13	33,330.41	49,263.94
Machines and equipment	7,568.94	10,728.66	2,635.82	3,772.87	1,220.07
Other supplies	9,702.72	17,704.41	22,810.29	13,215.51	24,541.88
Automobiles	33.78	3,638.81	110.88	1,050.94	105.39
Others	677.84	-	-	2,256.39	8,415.45
Total fixed assets	65,552.86	86,475.30	71,863.61	64,057.76	90,618.55
<b>Other assets</b>					
Investments	975.67	1,239.64	949.19	1,055.83	967.64
Deferred expenses	9,786.70	4,405.23	8,412.84	8,316.91	8,934.14
Others	470.27	497.36	1,870.41	3,228.41	11,265.09
Total other assets	11,232.65	6,142.25	11,232.45	12,601.16	21,166.89
Total assets	252,654.11	298,936.57	288,020.46	263,697.00	328,641.49
No. of aggregated groups	111	114	124	120	102



At the outset of the 1980s, the fishermen's groups distributed more assets to the loan business than to the purchasing business. In 1981, however, the groups swiftly increased the assets for the purchasing business, which exceeded those for the loan business. This great change can be attributed to the fact that the Oil Crisis encouraged most of the fishermen's groups to handle much more fuel oil in order to satisfy a rapidly increasing demand from members suffering from a shortage of fuel oil. This emergency lead the groups to concentrate their business implementation on the purchasing of fuel oil; as a result, the assets for the purchasing business rapidly increased. Yet we should also refer to another factor which further accelerated this movement. That is the deterioration of the loan business. So far as we can perceive, this business had not been able to cover even its direct operating costs since 1980; moreover, the direct costs rose disproportionally to the gross income of the business. Consequently, the business deficit at the gross profit level was getting larger year by year. (See Table II-4). Indeed, the loan business must have been worse off, when taking into account the administrative expenses of the business operation. The deteriorating operation forced the fishermen's groups to reduce assets reserved for the loan business. For instance, the accrued loan interest receivable was at a peak in 1980, and accounted for 14 per cent of all current assets. However, as soon as the fishermen's groups needed to concentrate on the purchasing business, this current asset drastically declined; in 1981, it represented less than 2 per cent of the current assets. The diminution of this asset from 1980 to 1981 was contrasted by a rapid increase in assets for the purchasing business. To avoid inefficiency in it's business operation, a fishermen's group might preferably invest in the purchasing business, while withdrawing from the loan business. After 1981, a concentration on the purchasing business was characteristic with respect to the allocation of assets. As a result, the fishermen's groups completely altered their assets structure compared to that at the outset of the 1980s.

On the side of liabilities and equity, we can also perceive remarkable tendencies brought about by the changing process of the group's financial position. First, the total current liabilities were reduced in proportion to the aggregated amount of liabilities and equity. Although the current liabilities constituted the majority of the total (60 per cent) in 1980, the percentage dropped to 43 per cent in 1984. Of the current liabilities, accounts payable-loans, accounts payable, and accrued expenses and others, showed sharply decreasing rates. In particular, accounts payable-loans, which used to contribute the greatest proportion on the credit side, faced the severest drop. Indeed, their percentage reached 28 per cent of the total in 1980, but later showed only 14.6 per cent. Even though the amount of total liabilities increased, that of accounts payable-loans never increased beyond the level of 1980, but decreased. In addition, accounts payable also fell sharply after 1982, although their rate of decrease was not as high as that of accounts payable-loans.



Table III-7(2) Financial Statements of fishermen's groups.....Liabilities and Equity.....  
Baht.

	1980	1981	1982	1983	1984
Current liabilities					
Accounts payable-loans	70,682.46	64,284.20	60,728.84	56,448.75	55,148.96
Bank overdraft	18,945.80	29,107.51	37,783.69	33,585.31	47,806.09
Accounts payable	34,070.98	30,549.03	33,640.95	21,567.58	20,026.73
Interest payable	2,518.56	2,275.56	4,152.17	4,242.37	2,744.43
Accrued expenses and others	26,947.71	28,702.58	15,980.84	12,445.56	10,046.91
Total current liabilities	152,444.82	154,918.91	152,286.50	128,289.59	141,089.75
Long-term liabilities	10,693.69	20,028.94	14,616.00	12,113.20	18,412.87
Other liabilities	292.39	355.73	5,503.73	7,867.32	9,264.13
Total liabilities	163,430.91	175,303.59	172,406.24	148,271.12	168,766.76
Group equity					
Share capital	46,860.31	51,579.78	39,316.33	36,926.45	38,954.16
Legal reserve	18,083.51	21,324.68	36,276.94	46,828.66	60,684.65
Other funds	9,868.09	33,853.43	25,685.55	26,776.40	48,937.89
Net profit (loss)	31,075.47	31,746.98	26,259.26	21,627.55	27,737.92
(Retained earnings)	(16,664.19)	(14,871.90)	(11,923.87)	(16,733.19)	(16,439.92)
Total equity	89,223.20	123,632.98	115,614.22	115,425.88	159,874.72
Total liabilities and equity	252,654.11	298,936.57	288,020.46	263,697.00	328,641.49
No. of aggregated groups	111	114	124	120	120



In contrast to the decrease in the liabilities proportion, the second remarkable tendency was a swift increase in the group's equity. In fact, the amount of equity eventually increased by 80 per cent from 1980 to 1984. Accordingly, the annual change in the total liabilities and equity tended to be affected mainly by equity. Except for the change for 1982 and 1983, the increases in equity accounted for about 70 per cent of the total annual changes. (See Annex II, Table 3(2)). However, there were contradictory changes in the equity itself. Concretely, share capital that members held rapidly declined after 1981 when the fishermen's groups had the highest number of members because of the Oil Crisis. In 1981, the share capital per group reached the maximum for the 1980s. Afterwards, the share capital began to decrease, in accordance with trends of indicators showing the groups' organizational situations, such as numbers of non-operational groups and members. (See Table II-1). As well as the amount per group, that of share capital per member markedly diminished from 622 baht in 1981 to 542 baht in 1984. This may mean that the fishermen's group encountered hesitation among its members towards the group's activity, so far as the groups' equity was concerned. Conversely, other components of the group's equity swiftly increased, in particular, legal reserve and other funds showed a relatively high growth in the later years, compared to 1980. (See Table III-7(2)). Accordingly, the initial characteristic of the group's equity, that share capital constituted more than half of the whole equity, was completely altered. Finally, share capital made up only a quarter of the group's equity, while legal reserve and accrued funds accounted for nearly 70 per cent. Thus, these two components began to affect the whole change of equity, instead of the decreasing share capital.

With regard to the discussion above, we can conclude that the later financial situation in the fishermen's group was relatively different from the previous one, in so far as assets and liabilities and equity are concerned. In the assets' allocation after 1981, the group obviously preferred the purchasing business to the loan business. The current assets for the former rapidly increased, while those for the latter manifestly declined. On the credit side, the group tended to depend on its own equity rather than current liabilities. Notably, these changes in the financial statements arose in 1981; and that year was the turning point of the financial position in the fishermen's groups. In fact, fishermen's groups had never experienced such rapid expansion of the business before 1981. Moreover, the figures showing the organizational features of the groups reached their peak. Therefore, we can assume that these movements were directly linked to the above financial changes. Shortly after, however, the fishermen's groups faced the deterioration of their business implementation. Subsequently, we will discuss the change in the financial position using indicative ratios.



To begin with, the repayment ability of a fishermen's group will be examined, to assess the degree of its financial stability. Judging from current ratios, which provide an insight into repayment ability on short-term debts, the group's ability seemingly improved. As suggested in Table III-8, the current ratio for fishermen's groups had risen continuously since 1980<sup>1</sup>. A comparison between 1980 and 1984 indicates that the current ratio rose nearly 40 per cent. This probably means that the groups were able to greatly improve their financial stability during these five years. This is because: a higher ratio of current assets to current liabilities suggests that default on the group's obligation is less likely. In general, however, the higher current ratio is not always linked to a greater ability for repayment against obligation. This is why current assets are partially comprised of inventories which cannot be transformed into cash immediately whenever necessary. Therefore, a more precise ratio is required to examine the financial standing of a fishermen's group. The ratio of current assets (deducted inventories and supplies) to current liabilities, namely quick ratio, roughly shows repayment ability in the shorter-term. A change of this ratio is in contrast to the current ratio's. That is, the quick ratio of the groups abruptly fell from 1981 to 1982; and then, it rose to the level of 1980. After 1982 the quick ratio obviously rose rapidly, this might imply that the fishermen's group strengthened its repayment ability on its short-term obligations.

Table III-8 Changes in current and quick ratio

	1980	1981	1982	1983	1984
Current ratio	115.4	133.2	134.6	145.8	153.7
Quick ratio	113.4	110.5	92.2	107.7	116.1

1) Current ratio = Current assets/current liabilities × 100

Quick ratio = (Current assets - Inventories and supplies)/Current liabilities × 100

2) Normally, when calculating quick ratio, current assets consist of cash, marketable securities, and receivables. The calculation here is based on current assets deducted inventories and supplies.

<sup>1</sup> Hereafter, in tables, all ratios are computed and expressed as a percentage, although I use "ratio".



However, it should be noted that the group increased both its current and quick ratios after 1982. Assumably, the group faced an inability to sell handled goods and to collect outstanding debts. This is because: an increase in residual inventories possibly resulted in a rise of current ratio, while an increase in accounts receivable was attributed to a rise of quick ratio<sup>1</sup>. In other words, the group's businesses, mainly the purchasing business, might worsen. No doubt, the amount of handled goods declined after 1981, as referred to in the previous section. Furthermore, a relationship between accounts receivable and sales amount might point to a negative tendency; that is, the figure of accounts receivable turnover, which measures effectiveness of management, was getting smaller<sup>2</sup>. This outstanding movement implies that the fishermen's group had to allocate more accounts receivable than before, even though the amount of handled goods fluctuated. That is, the accounts receivable increased disproportionately to the decline in the amount of goods sold. Therefore, the group might have had to keep uncollectable accounts receivable longer than before. At any rate, the group tended to lose the opportunity to orient its funds towards other assets. In addition the relationship between cost of goods sold and inventories was altered from 1981, influenced by the reduction of goods handled. As indicated in 1984, the roughly estimated inventory turnover was nearly half that in 1982<sup>3</sup>. This may suggest that the fishermen's group faced relatively less inventories being used, in comparison to before. Manifestly, the fishermen's group encountered a deteriorating financial position resulting from the inefficiency of the purchasing business, after the business rapidly expanded its amount of goods sold in 1981.

A look at changes of return on investment may fully endorse the discussion thus far. From 1980 to 1984, return on investment (all capital) eventually took a turn for the worse. Moreover, return on investment of own equity sharply fluctuated as did the former, so the indicator

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<sup>1</sup> The explanation of these relations is based on "Financial Accounting Principles and Issues" (Michael H. Granof, New Jersey, 1985).

<sup>2</sup> We cannot precisely estimate this ratio using the available data. This is because the figures concerning accounts receivable include those of the groups which do not implement a purchasing business or any other business.

<sup>3</sup> Inventory turnover is computed by dividing costs of goods sold by average inventory. (Ibid.)



went down from 16.2 per cent in 1980 to 7.7 per cent in 1984. These fluctuating and deteriorating changes basically resulted from an increase in the groups falling into deficit and non-operation, as can be seen in Table III-10. Notably, the number of the groups with a net profit in 1984 reached only half of the number in 1980; conversely, the number of the groups suffering from loss increased from the outset of the 1980s. In 1982, this kind of group almost equalled the profitable one; ultimately, the profitable groups were a minority against all operational groups. Furthermore, the number of operational groups was in a drastic decline, which coincided with the increase in deficit groups. During 1981 to 1984, for instance, nineteen groups dropped out from the category of operational ones. Naturally, along with these trends, the amount of loss per group no longer diminished during these years. A deficit group faced an increasing amount of loss until 1982; although the loss temporarily reduced in 1983, the group increased in loss in 1984, again. Thus, the deteriorating return on investment was obviously the result of the above tendency. In addition, we should point out that the number of operational groups (as well as amounts of loss and profit) include dormant groups not operating any business activity. The available data includes dormant groups, which can accidentally earn income from outside the business operation. Therefore, the real number of non-operational groups was probably more than the figures tabulated<sup>1</sup>. At any rate, the groups with net profit were on the decrease while the non-operational and deficit groups were on the rapid increase. At the end, the profitable groups accounted for less than half of the operational ones, and for less than a quarter of all registered groups. Of course, some of these groups might still obtain profit even though a greater proportion of the groups fell into deficit or ceased all activity.

In the meantime, the process of bearing net profit (or loss) naturally varied year by year. A trend for gross income, especially from the purchase business, was the most crucial factor in determining managerial results. A decline of gross income was directly linked to

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<sup>1</sup> We shall not be able to refer to this situation based on the available statistics. This is because the aggregated figures only show the trend of each region, but not that of the individual groups. So far as we can perceive from the statistics for 1984, there was a region where one group appeared to continue business operations while other groups were dormant. In fact, this group accidentally received a small income which was not derived from a business operation. More precisely, the group should belong to the category of non-operational, groups and not that of operational groups. "รายงานสถิติการเงินของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ ประจำปี 2527" ("Report and statistics of agriculturist groups in capture fishery and aquaculture for 1984"). P. 36. Department of Auditing, Ministry of Agriculture and Cooperatives.



Table III-9 Return on investment in a fishermen's group

	1980	1981	1982	1983	1984
Return on investment (I)	5.7	5.6	5.0	1.9	3.7
Return on investment (II)	16.2	13.7	12.4	4.2	7.7

1) The figures are calculated as follows:

$$\text{Return on investment (I)} = \frac{\text{Net profit}}{\text{All capital (assets)}} \times 100$$

$$\text{Return on investment (II)} = \frac{\text{Net profit}}{\text{Own equity}} \times 100$$

2) The indicators are taken from the financial statements. Therefore, non-operational groups are not excluded.

Table III-10 Net profit and loss for all operational groups

	1980	1981	1982	1983	1984
Net profit (No. of groups)	3,652,678.87 (60)	4,225,533.54 (51)	4,119,839.61 (44)	3,415,315.53 (38)	3,620,643.90 (30)
Net loss (No. of groups)	203,301.38 (22)	606,397.12 (38)	863,691.00 (41)	820,009.53 (48)	791,596.69 (40)
No. of operational groups	82	89	86	87	70

1) The figures which concern the operational groups, are taken from the income statements.



a reduction of net profit. (See Annex II, Table 4). Another factor to add to the deterioration of the management of a fishermen's group was that the administrative expenses rapidly increased, disproportionately to the changes of total profit and gross income: for instance, the expenses in 1984 represented about two times the amount in 1980. (See Annex II, Table 5). In particular, the expenses for wages and rent raised the overall expenses of the fishermen's groups. Moreover, the expenses proved failures in the business administration, such as allowing debts, and fuel and inventory losses which represented a high proportion against the overall expenses. By way of example, in 1981 when the purchasing business rapidly expanded, the fishermen's groups faced unexpected payment for the inventories loss, being equivalent to 20.6 per cent of all expenses. On allowing for bad debts to the above, these ineffective payments were further increased. Although their percentage tended to fall after 1983, the groups still had to spend more than 7 per cent of the whole on them in 1984. Because of such undesirable expenses, the fishermen's groups unavoidably faced a reduction in profit or an increase in deficit.

The above discussion, may sound contradictory to the changes of liabilities and equity. It would seem that a fishermen's group could continuously improve its financial position, particularly with respect to a balance between liabilities (debt) and equity. In fact, liabilities notably decreased while equity increased. Naturally, the ratio of debt-to-equity, which suggests what ability a fishermen's group has to meet its obligations, was drastically diminished. At the outset of the 1980s, relatively all liabilities exceeded the group's equity; therefore, the ratio showed 183 per cent. Originally, the fishermen's group tended to concentrate the current liabilities, but not the long-term ones; accordingly, a balance between current liabilities and equity was the determinant of a trend of debt-to-equity ratio. In fact, the ratio of current liabilities to equity indicated about 170 per cent in 1980, while that of long-term ones to equity showed only 12 per cent. (See Table III-11). Afterwards, the aggregated ratio of both was on a sharp decline, caused not only by a reduction of current liabilities but also by an increase in equity. Finally, the aggregated ratio decreasingly reached almost an equilibrium between liabilities and equity. Remarkably, the current liabilities were below the equity, which resulted in a sharp decline of the aggregated ratio. Thus, a fishermen's group thoroughly changed the former financial structure where the group partially depended on current liabilities. Yet there is another ratio which shows an improvement of the financial position in a fishermen's group: the ratio of fixed assets-to-equity. This ratio, indicating what proportion of equity is directed to the acquisition of fixed assets, continuously fell from 73.5 per cent in 1980 to 56.7 per cent in 1984.



This resulted mainly from the fact that the equity increased more rapidly than the fixed assets. Accordingly, we may conclude that a fishermen's group increasingly achieved liquidity<sup>1</sup> of its assets.

However, these apparent improvements might be contradictory to the obvious deterioration of the fishermen's groups, especially as far as the business activity and organizational features are concerned. Presumably, these tendencies in the financial position arose from an increase in dormant groups, some of which might belong to the category of operational groups by all appearances. These groups would, of course, maintain their assets and equity, until they were dissolved. However, little new-debt would be supplied for the purpose of their business activity, even though these groups still kept old and unliquid debts. The more dormant groups increased, the ratio of debt-to-equity appeared to be healthier. Of course, there were indeed real operational groups which reduced debt while increasing equity. For instance, one group tended to depend only on its own equity while reducing liabilities. The proportion of the group's equity accounted for more than 90 per cent of the total liabilities and equity, in 1985. The rapid growth of all capital in the group was attributed to the increase of its own equity, but not liabilities<sup>2</sup>. As a whole, however, the rapid increase in dormant groups presented a false impression of the financial stability of the fishermen's groups as a whole.

In a comparison to the fishery cooperatives, we will be able to see the characteristics of the financial position of the fishermen's groups. In general, the cooperatives tended to concentrate on the purchasing business as did the fishermen's groups, although the credit business also remained active. However, several factors for cooperatives are very different from those for the groups. For instance, the cooperatives allocated most of their funds to current assets, which accounted for more than 90 per cent in 1983. That is, a cooperative tended to allocate its assets to current ones, but not fixed assets; on the other hand, a fishermen's group directed slightly over half of all assets to current assets. (See Annex II, Table 6). Moreover, a comparison of the assets for the loan business shows a considerable

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<sup>1</sup> In theory, the investment in fixed assets is derived from own equity or long-term liabilities. This is because it may take a long time to collect fixed assets. If current liabilities are sources of fixed assets, the financial position of a fishermen's group will apparently be reduced due to lack of liquidity. Ideally for the ratio it would be better to remain at a level where equity exceeds fixed assets, since the remainder may be oriented to working capital.

<sup>2</sup> This is based on the annual report of the Ranong Fishermen's Group in Ranong Province.



Table III-11 Debt-to-equity ratio of a fishermen's group

	%				
	1980	1981	1982	1983	1984
Debt-to-equity ratio	183.2	141.8	149.1	128.5	105.6
Current debt-to-equity ratio	170.9	125.3	131.7	111.1	88.3
Long-term debt-to-equity ratio	12.0	16.2	12.6	10.5	11.5

Debt-to-equity ratio = Total Debt/Total equity x 100

Current debt-to-equity ratio = Current debt/Total equity x 100

Long-term debt-to-equity ratio = Long-term debt/Total equity x 100

Table III-12 Fixed assets-to-equity ratio of a fishermen's group

	%				
	1980	1981	1982	1983	1984
Fixed assets-to-equity ratio (I)	73.5	69.9	62.2	55.5	56.7
Fixed assets-to-equity ratio (II)	74.5	70.9	3.0	56.4	57.3

1) Each ratio is computed as follows:

Fixed assets-to-equity ratio (I) = Fixed assets/Total equity x 100

Fixed assets-to-equity ratio (II) = (Fixed assets + Investment)/  
Total equity x 100

2) On calculating ratio (II), investment is treated as a fixed asset, since its term requiring funds is normally longer than current assets.



difference between both organizations. Although the fishery cooperatives rapidly expanded their purchasing business, particularly the handling of fuel oil, the cooperatives continuously kept accounts receivable-loans. Even in 1983, the accounts receivable-loans constituted over 40 per cent of all assets. In contrast to the fishermen's groups whose loan business fell into deficit, the cooperatives obtained some gross business profit from this business (precisely, the credit business in the cooperative). In this sense, the fishery cooperative probably functioned as a multi-purpose economic organization, as a result of which it contributed considerable current assets not only to the purchasing but also the credit business<sup>1</sup>. Yet we can note another distinction between the two organizations: allocation of fixed assets. Concretely, the cooperative allocated only 6 per cent of all assets to fixed assets; but, a group distributed nearly half of its total assets to the fixed assets. Accordingly, a fishermen's group may have faced relatively lower liquidity than a fishery cooperative. Additionally, on the side of liabilities and equity, the fishery cooperative was less likely to depend on its own equity. The cooperative's equity accounted for only 27 per cent of the total amount of liabilities and equity. Conversely, a fishermen's group was more likely to depend on its own equity, as mentioned before, and its percentage reached more than 40 per cent of the total amount in 1983. Therefore, when compared to the debt-to-equity ratio of the groups, that of the cooperatives remained relatively lower<sup>2</sup>.

With regard to the above comparison, we can note that several ratios for the organizations are completely different. First of all, the ratio of fixed assets-to-equity for a fishery cooperative reached less than half of the group's percentage in 1983. To be specific, the groups showed 56 per cent, while the cooperatives showed only 22 per cent. This theoretically means that a group had fewer opportunities to direct its own equity to working capital. This is because the group allocated the majority of its equity to fixed assets; in other words, the group's investment in fixed assets might not be proportional to the scale of all assets. Furthermore, there was a considerable difference in ability to meet current obligations between the organizations. For instance, the fishery cooperative showed a marked tendency of a small differential between current ratio and quick ratio. That is, the aggregated amount of inventories and supplies was not very large, when compared to the current

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<sup>1</sup> "รายงานสถิติการเงินของสหกรณ์ประมง ประจำปี 2527" ("Report and statistics of fishery cooperatives in 1984"), Department of Auditing, Ministry of Agriculture and Cooperatives.

<sup>2</sup> This is mainly because many fishery cooperatives were established at the outset of the 1980s and depended on the borrowed funds mainly from the BAAC. Afterwards, the ratio of debt-to-equity rapidly declined.



liabilities. On the other hand, the fishermen's group continued to allocate a greater part of the assets to inventories and supplies, even though the amount of goods sold severely fluctuated. This tendency probably shows that the group had difficulty in adjusting the inventories and supplies in proportion to the changing amount of goods sold. In reality, the fishermen's group faced a continuous deterioration of its inventory turnover, showing a degree of inventory efficiency. Furthermore, the accounts receivable turnover for the groups tended to indicate deterioration after 1982. That is, the groups had to tie up more funds in accounts receivable than before: less funds were invested in other assets. Thus, a fishermen's group faced great difficulty in maintaining a healthy financial position, although some ratios seemed to improve, such as the ratio of equity-to-debt. In contrast, the fishery cooperative saw an improvement of both turnovers. Apparently, the cooperative expanded the business and improved the managerial situation, while depending on liabilities. As a whole, the fishery cooperative seemed to remain comparatively active, but the fishermen's group appeared to deteriorate.

As described thus far, the managements of the fishermen's groups obviously encountered obstructions to maintaining financial stability. Above all, operational groups declined, and many groups fell into deficit; or, non-operational groups increased, and the number of groups with a profit decreased. These adverse situations affected the whole financial position of the groups that is, it clearly showed stagnation and lack of liquidity. After 1981, these tendencies characterized the managements of the groups. Of course, there existed well-implemented groups; however, they were in the minority.



#### IV. Conclusion

An attempt to form fishermen's groups in the Thai fishery industry has provided us with significant insights into the future direction of cooperative organizations.

First of all, the formation of fishermen's groups has given a great impetus to the formerly stagnant cooperative movement. Instead of remaining inert like the handful of fishery cooperatives, groups have widely spread throughout the country. This rapid movement towards the establishment of groups was their most crucial characteristic in comparison to the leisurely progress of fishery cooperatives and was influenced by the groups' links with the mobilization of the local administration. Particularly, encouraging communes to organize groups brought a steady response to the objectives of the authorized proclamation of 1972. This is because a commune is an autonomous organ in the local administration and has the responsibility of fostering its constituents economic advancement. Once the commune accepts the group concept, the self-governing function of the commune will easily prompt its constituents to participate in the group activity. That is, the group movement is based on the narrow localization which manifestly distinguishes it from the cooperative's. Moreover, this concept is supported by another - that the commune is to be a nucleus to rural development. As a practical institution, a fishermen's group is required to carry out the commune's development plan. Thus, the close link between the commune administration and the group created a frenzied movement at the outset. Consequently, the appearance of the groups has clearly directed the link between the local administration and cooperative organizations.

Coincidentally, the abovementioned localization needs the strictly controlled operation of a group, since its activity directly affects a commune's development. Therefore, the fishermen's group is linked not only to the administration of the central government but also to that of the local government.

Secondly, a study of the diffused process in the fishermen's groups offers an insight as regards the future direction for the formation of cooperative organizations. This resulted from a consideration of regional differentials. As to marine capture fishery, we discerned that the areas where fishery managements could obtain higher productivity had a tendency towards the formation of groups. On the other hand, areas where artisanal and subsistence fisheries held a greater proportion advanced more cautiously. That is, the more commercialized the managements, the more likely they were to promote the group movement. In addition, this striking tendency could be perceived in the field of aquaculture. In this sense, the concept of the group's activity spread unequally through the country. Taking into account the expansion of fishery cooperatives, the above viewpoint may be seen when comparing both



cooperative organizations. Broadly, in the more developed areas, the fishery cooperatives were preferred to fishermen's groups. The existence of a regional (provincial) differential, not only among groups but also between groups and cooperatives, will lead us to the following assumption. This concerns the determination of the type and operating method of the cooperation organized. Probably, in areas where many managements have already laid the way for capital intensive development, they will choose a broad style of cooperation, like a fishery cooperative. This choice may arise from the spectrum of its operational area. If fishery managements with common economic interests exist sufficiently in a commune, a fishermen's group may be organized. Otherwise, fishermen will seek the operational efficiency resulting from an enlargement of the business activity. Moreover, this type of cooperation can only be among fishermen who belong to a certain stratum beyond the narrow locality. This is because the limited membership possibly facilitates an economic organization to generate a common interest in the operation. For instance, the provinces of the central part of Thailand involved in marine capture fishery have established this type of cooperation. Different types of managements, such as offshore and deep-sea fisheries, have separately organized cooperatives even within a small area. Apparently, these cooperatives really require a specific kind of fisherman as a member, not just anyone. We can point to this tendency in the Thai marine capture fishery cooperatives. The requirements for a cooperative, which is freer and more flexible than a group encourage managements with high productivity to organize cooperatives.

A purely local organization, based on a small locality, is adequate in some areas; that is, where some managements cannot achieve cooperation in a broader area. Inevitably, cooperation will allow some managements to participate, however, the membership will be limited in a small territory. If the members in this organization are partially those who have still remained economically immature, the organization has to rely on the personal trust between members, particularly since, the business operation cannot depend on the members' economic strengths. Nevertheless, the mutual trust between members will be an important asset to the operation. Accordingly, the membership is limited to the areas where mutual trust works well between members. Notwithstanding, the widened operation area generates more conflict of interest between different strata therefore, this organization must be able to adjust the various interests of its members. This difficulty can be overcome by the unity in a small territory, where members influence each other's attitude towards the organization. Clearly, the above factor lead to the concept of the fishermen's group. Thus, cooperative organizations in Thailand display two different tendencies, not only towards concentration on the membership of a specific type of fishermen in a larger area, but also towards expansion of the membership to different strata in a smaller area. In other words, we can note considerable differences in the cooperative methods employed by the highly commercialized fisheries and others.



Thirdly, the process of fishermen's groups, with respect to organization, business, and management, shows unprecedented changes even over the last ten years. We have to consider the ultimate causes which created these changes. The first determinative factor was the strong dependence of the groups on external support, namely, from the government and related institutions. Originally, the fishermen's groups might have been organized following prompting from the central and local governments. Accordingly, they were dependent from the outset. As discerned by the change in the loan business, the financial attitude of the BAAC affected the groups' direction. In addition, the counter-measure taken by the government against the shortage of fuel oil spurred non-organized fishermen to join the groups. Moreover, the groups business expanded rapidly and included the handling of fuel oil, based on the governmental countermeasure. However, its withdrawal immediately discouraged members away from the groups business. That is, the cooperation between members was fragile. The second determinative factor, which added to the fragility of the cooperation, was the inept implementation of the business and administration. For instance, the groups allowed members to default, and much disbursement of allowance for bad debt. Furthermore, the inventories increased, but not according to the fluctuations of goods sold by the purchasing business. Thus, the indecisiveness of the groups' administration slowed their healthy advancement. Basically, of course, a lack of understanding among members of the group concept accelerated the changes and their eventual deterioration<sup>1</sup>. Coincidentally, the fact that the groups tended to be organized in rather unfavourable areas compared to the cooperatives, might have hastened the administrative deterioration.

Apart from the above causes, yet another point should be taken into account: the fishermen's groups never implemented a marketing business. Although the groups managed to operate loan and purchasing businesses, no activity in the sale of members fishery produce appeared, except for a little in 1980. The non-implementation of this marketing activity possibly led fishermen's groups into a decline. In general, cooperation in selling members' produce has a stabilizing effect on any cooperative organization. A cooperative organization will be able to provide more financial trust than before, if it can help members turnover by selling their produce. This in turn encourages members to utilize the other businesses, since there is more trust in the organization. As a matter of fact, this most important process was

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<sup>1</sup> These points are mentioned in the latest annual report of auditing results. "รายงานสถิติการเงินของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ ประจำปี 2527" ("Report and statistics of fishermen's groups 1984"). P.33-34, Department of Auditing, Ministry of Agriculture and Cooperatives.



completely controlled by the fish collectors even after the groups establishment. This is because there was no scope for fishermen's groups to commence the marketing business. Normally, the marketing activity of the fish collectors in the Thai fishery is inseparable from the other activities, such as providing operating funds and necessary production materials to fishery managements. Advance payment is predominant. It is the method by which the fish collectors secure fishery produce from producers. In this regard, a fish collector usually has multiple economic functions in his link to fishery managements. That is, he is concerned with all the management processes of fishery production. Of course, most of the activities which the fishermen's groups intended to operate benefitted the collector. Therefore, the groups could not avoid competing with him. Generally, the link between collectors and fishery managements is more likely to be tightened in the artisanal fishery or in underdeveloped areas. Often, the fishery managements in these areas can hardly maintain continued production without total dependence on the collector. There, the established groups perhaps faced considerable difficulty in encouraging members to use the businesses. This is because most of groups, due to their concentration only on specific businesses, could not satisfy the members economic demands in the same way as the fish collectors. Except in cases where the fishermen gained special benefits from the fishermen's groups, such as raising low-interest loans and purchasing fuel oil during the Oil Crisis, their participation might be unreliable and fragile. Therefore, the changes in the fishermen's groups were partially due to this unavoidable choice by the members, based on their economic surroundings.

Referring to the above, we can perceive that the fishermen's groups have encountered huge obstacles in attaining their initial objectives. Indeed, most of the groups have reportedly become dormant and the exact extent of this is rather more severe than the available data indicates. Therefore, one important objective, i.e. that the fishermen's groups be eventually transformed into cooperatives, has not been realized except in a very few rare instances. Manifestly, the group's movement has reached the turning point for its reassessment. What the group's movement has implied through its historical process would be suggestive of the future direction of cooperation among Thai fishermen.



## ANNEXES



## BY-LAWS OF A FISHERY AGRICULTURIST GROUP<sup>1</sup>

### NAME, ADDRESS AND AREA OF OPERATION

Article 1) Name, Address and Area of operation This society is registered under the Announcement of the Revolutionary Party No.141. The group's name, address, and area of operation are as follows:

Name:..... Agriculturist group which will henceforth be referred to as "Agriculturists group" in the by-laws.

Address: No. .... Rd. .... Moo .....

Tambon ..... Amphur .....

Changwad .....

Area of operation: Tambon ..... Amphur .....

Changwad .....

### OBJECTIVES

Article 2) Objectives The objectives of this group are to encourage members to work together for their mutual benefit as follows:

(1) to provide supplies needed for sale to the members;

(2) to assemble aquatic animals and members products for sale or processing for sale/or to purchase aquatic animals and their products from non-members to sell or process for sale as necessary for the group's economic operation;

(3) to lend money or to give credit to members to enable them to earn their livings or to purchase necessities;

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<sup>1</sup> This is translated from "ข้อบังคับของกลุ่มเกษตรกรทำประมง".  
The translation is my sole responsibility, not anybody else's.



(4) to set up an ice factory, cold storage or any other industrial factory related to fishery development;

(5) to provide storage for aquatic animals or their products, and to manage transportation facilities as necessary;

(6) to provide fishing boats and equipment for fishing;

(7) to set up a culture site, and procure fish species, animal feed, medicine and equipment for culture;

(8) to borrow money to use as working capital in the operation of the agriculturist group.

(9) to promote and disseminate fishery technology, handicrafts, cottage industries or other activities among members and their families, also to increase knowledge in industrial production in order to upgrade the quality of their products;

(10) to promote thrift, self-help and mutual help among members;

(11) to cooperate in the promotion of activities among agriculturists groups;

(12) to give appropriate relief to members and their families who suffer from a disaster in connection with their occupations;

(13) to take all other actions permitted by the Agriculturists Law in order to reach the above objectives;

(14) to take appropriate action to achieve the objectives approved by the Co-op Registrar;

The operation in points (3), (8) and (13) should be within the limited capital agreed by the Cooperative's Registrar.



## MEMBERSHIP

Article 3) Members Members of the group shall consist of those:

(1) who have signed their names on an application for registration with the agriculturist group and those whose names are on the list of members of agriculturist groups;

(2) who are admitted as members of the group under the by-laws.

Article 4) Qualification of a member

A member of the group must:

(1) be a mature Thai National;

(2) mainly conduct a fishery activity and other activities covered in the group's operation;

(3) not be bankrupt;

(4) hold at least one share but not more than 1/5 of the total shares;

(5) not be concurrently a member of another agriculturist group or a cooperative with the purpose of obtaining a loan. Only one person per family can be a member.

Article 5) Admission of a member

An applicant must choose an existing unit or a new one nearby in the same Tambon. The application is to be submitted to the Chief of the Unit for consideration at the next meeting. If the application is approved and the applicant receives not less than 3/4 of the members at the meeting votes, the Board of Directors will accept his application.

After the approval of the Board, the applicant or a member to be is to pay a joining fee and buy a full share, the minimum is one share per applicant.

The Agriculturist group is to inform the Chief of the Unit concerned regarding the addition of the new member so that the matter can be put before the next meeting of the Unit.

The Board of Directors will nominate this new member at the next meeting.



Article 6) Performance under by-laws

Members should strictly adhere to the by-laws, regulations and resolutions of the meeting.

Article 7) Entrance fee

A 20 Baht joining fee is to be paid on the day that a member signs the membership registration book. This fee is not refundable.

Article 8) Member's right

This can be arranged once a member has paid the fee and signed the registration book.

Article 9) Change of Name, Nationality, or Address

If a member wants to change his name, nationality or address, he must immediately inform the manager.

TERMINATION OF MEMBERSHIP (RETIREMENT)

Article 10) Causes of Termination Membership of any member shall cease in the following instances:

- (1) when he dies;
- (2) when he resigns from the Agriculturists group (Article 11);
- (3) when he no longer qualifies (Article 4);
- (4) when he stops conducting fishery activities;
- (5) when he is expelled from the Group (Article 12);
- (6) when all his shares have been transferred to others.

Article 11) Withdrawal from the Agriculturist Group

A member who has no debts to the group may ask the Board of Directors to accept his resignation. His membership will cease on the day approved by the Board.



Article 12) Expulsion

A member may be expelled from the Agriculturist group for any of the following reasons, if:

(1) he does not repay a loan within the time fixed (Article 36);

(2) he is imprisoned on the final judgement of the court, except in the event of a short punishment or one for negligence;

(3) he violates rules, by-laws or resolutions of the meeting or commits a crime against the group.

After the investigation of the Board of Directors and if the result is negative, not less than 2/3 of the members votes are needed for the expulsion.

Article 13) Removal of name from members register

No matter for what reason a member loses his membership, his name is to be struck from the register.

Article 14) Clearance of debts of departing members

If a member who is now losing his membership still has some debts with the Agriculturists group, he, must clear them all off immediately. The group has the right to deduct them from any money that he should receive in order to clear all his debts.

RESPONSIBILITIES OF THE MEMBERS

Article 15) Member's responsibility

A member is liable for the debts of the Agriculturist group Ltd., in the amount of the share money that he has not yet repaid in connection with his share holding.



## CAPITAL

### Article 16) Capital

The Agriculturist group may be funded for the operation by:

- (1) issuing shares;
- (2) borrowing money;
- (3) accumulating reserve funds and other capital.

### Article 17) Share

50 Baht is the usual share value but it is not fixed.

### Article 18) Share holding

Every member must hold shares in the group as follows:

(1) at least one share when he is admitted as a member of the group for which he has to pay the full price within a fixed period of time;

(2) additional shares must be bought each time he receives a loan from the group at the proportion of 1,000 Baht or its fraction per share. Deduction for the value of such additional shares will be made immediately by the group from the loan granted to him;

(3) Increase in shares.

A member can increase his share holding by deducting the money from the sale of aquatic animals or their products. This is done through the Agriculturist group at the rate of 2% on each sale. That money will be collected until he has accumulated 50 Baht for another share.

(4) Besides the shares in (1), (2), a member can increase his share holding any time if he can pay the full share value.

The number of shares that a member can hold must not exceed 1/5 of the total shares in the group.

Transferring of shares of members who resign or will resign from the group.



Article 19) Share transference Shares can be transferred from members who are ceasing their membership if:

(1) the transferrer wishes to withdraw from the group and transfer the shares he purchased;

(2) the transferrer has no debts to the group;

(3) the person who receives the share transfer is a member of that Agriculturist group or an applicant approved by the Board of Directors to become a member.

For a share transfer the following obligations must be met:-

- a specified form must be used;
- the document must be signed by the transferrer and the transferee;
- a minimum of 2 witnesses must sign the transfer papers.

The share transfer will be official after approval by the manager. For the share transfer, a transferrer must pay a 50 Baht fee to the Agriculturists group.

Article 20) Notification of share transference

If a member wishing to transfer his share(s) cannot find anyone to receive that share, he can inform the group. If there is a person who wants to hold a share, the group will arrange a share transfer agreement before issuing a new share.

Article 21) Prohibition to transferring or withdrawal of shares

A member cannot transfer or withdraw a holding share neither part nor all of it except under Article 19.

Article 22) Repayment of shares to resigning members

Under Article 10 concerning termination of membership, the Agriculturists group can repay the share by using the share transference fund collected from the profits (in Article 76 (5)). If the Agriculturist group has no share transference fund or does not have enough money in it, the group can repay the share money in advance but it



must not affect the status of the group; if this is done the group must make the annual net profit the share transference fund (the amount is equal to the money repaid).

In this connection, the Agriculturist group will repay the share amount to members whose membership ceases under Article 10 (1), (3) and (4) before repaying any others.

In the event a member dies or no longer qualifies, share money is to be paid if the Board of Directors are satisfied the evidence brought before them to prove that he or she is the rightful person to receive the share money.

Concerning bankruptcy, the Agriculturists group will refund any share money in accordance with the Bankruptcy Law.

#### BORROWING OF MONEY

##### Article 23) Loan amounts

The range of loans must be within the amount decided at the annual meeting and this amount must be approved by the Co-op Registrar.

If the Meeting or the Co-op Registrar has not yet agreed with the amount, the group is to temporarily use money from the previous year.

#### LENDING OF MONEY

##### Article 24) Lending of money

Only members can be lent money by an agriculturist group: The Board of Directors has the authority to consider this matter in line with the rules and regulations and this must be agreed by the Registrar of Provincial Agriculturists groups or the official appointed by the Provincial Registrar.



Article 25) Reasons for getting a loan

(1) A short-term loan, means a loan for operating costs during a fishing season to cover:

- fuel, man-power, ice, fry and fingerlings, food and medicine;
- preparation of animals for sale, processing of products;
- fishing boat rent especially in the case of cash payment;
- fishery services;
- fishing gear and equipment;
- necessary household expenses.

(2) A mid-term loan, means a loan to cover a fishery investment which can be used more than one fishing season including:

- purchase, construct or repair fishing gear, capstan, water pump, engine, machine transportation supplies or other related agricultural equipment;
- purchase, construct or repair a fishing boat, building or other related construction;
- investment in culture livestock, poultry and other activities related to the fishery industry;
- repayment of a former debt related to fishery;
- purchase, develop or claim land for culture;
- construct or develop a water basin, ditch, dam or land for culture.

No matter what type of loan, it can be used to acquire share value in the Agriculturists group.

A member has to use the loan in accordance with the purpose contracted.



Article 26) Maximum of Loan

Short-term loan: not more than 60% of the estimated price of aquatic animals or their products.

In the event a member has not yet repaid all of a previous loan, a new loan plus the previous loan should not be more than 60%.

The estimated price of aquatic animals or their products is decided by the Board of Directors.

Mid-term loan: not more than 5,000 Baht.

However, the maximum short-term and/or mid-term loan of a member at any time must not exceed 50,000 Baht.

Article 27) Period of loan repayment

Short-term loan: within 12 months. (Capital + interest)

Mid-term loan: within 3 years or 5 years depending upon the reason for the loan.

A member can repay the loan before schedule and the Agriculturist group will not add any interest to the repaid capital.

Article 28) Loan collateral as security

(1) Fixed property that is not mortgaged by other creditors and that property should have a value of not less than 2 times that of the loan when there is no collateral against the loan in (2) or (3).

When mortgaging something, the estimated maximum amount of money is to be stated such as 100,000 Baht even if that property's value is higher than 100,000 Baht the mortgage can still state the amount at 100,000 Baht.

This mortgage is collateral against the debt repayment of a member to the Agriculturists group.

In the event a member has already paid all debts to the Agriculturists group and does not want to get a loan by mortgaging any longer, he can withdraw that mortgage. This withdrawal must be approved by the Registrar of the Agriculturist group.



(2) In the event a member cannot repay the loan but needs to receive it, the total capital must not be over 10,000 Baht. For members who do not have collateral for a loan as in (1) or (3), they have to take the following actions:

(1) Find another member approved by the Board of Directors to provide security for them;

(2) Members have to submit a boat registration paper or similar documents approved by the Board to the group.

(3) For a short-term loan, if a member cannot repay the loan and the total capital is not over 3,000 Baht, but he has no collateral to secure the loan in (1) or (2), he has to: 1) find at least 2 members for security and they should be approved by the Board of Directors; 2) each of the approved members should own his land or fishing boat.

All collateral documents should follow the specified format.

One member cannot provide security for more than 2 persons at one time.

If a member who provides security for another dies or resigns from the Agriculturist group, the person who asked him to provide security (the person who received the loan) must find another person to replace him within a fixed time frame. In the case of resignation from the group, his responsibilities in providing security will cease when his successor is found.

#### Article 29) Collateral control

(1) The Board of Directors and the Manager will investigate every loan whether or not there is collateral for security. If there are some weak points in the collateral, they must be sorted out within a fixed time.

(2) The Agriculturist group can request a member who asks for a loan to furnish some vital document or deed of land which will be kept by the Agriculturist group over the repayment period.



Article 30) Method of giving short-term loans and mid-term loans

(1) A member who wants to receive a loan will state his purpose to the Agriculturist group. After consideration by the group, he will be investigated by the Board of Directors or officials concerned with regard to the following:

- details of fishing plan or purpose of loan;
- total amount of loan needed;
- amount of personal money involved;
- details of supplies needed from the loan and the permitted date of the loan;
- the date of repayment and details of where that money will come from;
- details of former properties used by the person receiving the loan;
- capability, experience of his operation;
- his status and that of the person who provides the security, and security collateral;
- others concerned.

(2) A member who wants to receive a loan will complete the loan application form and submit it to the Agriculturist group together with his appeal. In the event he uses security under Article 28 (2), he has to complete the security form of the Agriculturist group and submit it too.

(3) Once the Board of Directors has approved the loan, the Agriculturist group will supply the money to the member in instalments, the amounts of which are fixed by the Board. When a member receives the money, he will get a receipt each time and the group will calculate the interest according to the money he receives.

(4) The Agriculturist group may assign the Chief of the Unit or officials concerned to supervise the loan use of members and those people who are assigned will advise members in terms of good fishery practice.

(5) In the event a borrower does not keep to his purposes for the loan, the Board of Directors has the right to decrease the loan amount or stop paying it.



Article 31) Sale of borrowers aquatic animals or their products

The Board of Directors may ask borrowers to collect and sell their animals or products through the Agriculturist group (Article 32); at least a sufficient number of them to reimburse the amount of the loan. In addition, the Board of Directors or staff of the Agriculturist group has the right to examine a members store of aquatic animals or products.

Article 32) Debt payment

The Agriculturist group will issue a letter to borrowers to confirm the details of the loan payment, including time of payment and number of aquatic animals or products to be sold through the Agriculturist group. (Article 31). However, the Agriculturist group may ask the Board of Directors or officials concerned to tell each borrower directly to ensure repayment of the loan. The repayment place is the office of the Agriculturist group or other sites fixed by the Board.

Article 33) Arrangements for repayment by members

In the event a member has several loans to repay and he does not have enough money to meet his payments at the time fixed in the contract, he is to give importance to the repayment of the loan whose time for repayment comes first.

For each repayment, after fee payment, interest is to be paid first; and capital will be done afterwards.

Article 34) Interests

The Agriculturist group is to charge interest at the rate of 12% per year for every type of loan. A change of interest rate must be agreed at the General Meeting and approved by the Co-op Registrar.

The interest payment is due at the same time as the loan money repayment or debt instalments.

By the end of each fiscal year for the Agriculturists group, the borrower must have paid any interest due.



Article 35) Time postponement

In the event a borrower cannot repay debts within the time set and if he has reasonable and unavoidable reasons, his repayment can be postponed by no more than 4 months, such a postponement cannot be allowed more than 3 times. (This also applies to a borrower who repays in instalments).

Article 36) Loan recall

The group will recall a loan under the following conditions:

(1) a borrower is now a non-member of the Agriculturist group, no matter for what reason;

(2) a borrower does not respect the approved purpose of the loan stated in the contract;

(3) a borrower does not comply with a request from the Board of Directors with regard to additional collateral or other security;

(4) a borrower does not comply with Article 31 and has no acceptable reason approved by the Board;

(5) a borrower does not make his interest and loan repayments within the fixed time and has no acceptable reasons for not doing so.

COLLECTION OF MEMBERS AQUATIC ANIMALS OR PRODUCTS

Article 37) Collection of aquatic animals or their products

The Agriculturist group will arrange storage and/or transportation of their products including those mentioned in Article 31 for loan repayment. Animals for loan repayment under Article 31, cannot be recalled by the member and the group has the right to manage their sale.

The Board of Directors has the authority to set up the rules and regulations for the sale and management of animals and products along with their transportation.



#### PROCUREMENT OF SUPPLIES FOR SALE

##### Article 38) Procurement of supplies for sale

The Agriculturist group will procure and sell supplies to members if those members inform the group of their needs or the group asks them in advance. A buyer should pay in cash or he can ask the group to deduct the sum from his loan or from the sale of his aquatic animals or products which are under the group's management.

The Board of Directors has the authority to set up rules and regulations regarding the procurement and sale of supplies, promotion and dissemination of fishery technology, industrial production and activity management.

##### Article 39) Promotion and dissemination of fishery technology, industrial production or activity management

The Agriculturist group may organize fishery training in terms of promotion and dissemination, together with industrial production and how to manage the activity in a member family. This will be done in co-operation with officials from the Ministry of Agriculture and Co-operatives, and other officials concerned.

A member is to assist in this matter by co-operating in the procurement of fishing boats, fishing gear, machines and factories with the group.

##### Article 40) Procurement of fishing boats, fishing gear, machinery or fishery products factories

The Agriculturist group may procure fishing boats, fishing gear, machinery or fishery products factories for members to use. The members will be charged for their use.

The Board of Directors has the authority to establish rules and regulations relating to the use of property belonging to the Agriculturist group.

#### WELFARE AIDS AMONG MEMBERS AND THEIR FAMILIES

##### Article 41) Welfare aids for members and their families

The Agriculturist group may procure welfare aids with the net profits of the group, the dedicated fund, the supporting fund or from the government.



The Board of Directors will establish rules and regulations for the welfare distribution among members and their families.

Article 42) Agriculturist group property

The Agriculturist group can manage the group's property in accordance with Article 2(13) i.e. only fixed property and movable property that members can borrow such as equipment for storing or processing aquatic animals or products, transportation supplies, etc. This must be approved by the Registrar of the group.

Article 43) Property and Debts with other fishery registers

All members must co-operate annually with the Board of Directors, or staff concerned in assessing the property and debts with other fishery registers, so that they can examine the operation and assess the members financial status through comparison.

UNIT

Article 44) Unit means fishery unit

Every member is to belong to a unit composed of those members living nearby. A member can move to another Unit after receiving a vote of not less than 3/4 at the meeting of the new unit.

Article 45) Meetings of the Unit

The chief or assistant of the Unit can call member to meetings, see Article 46. The Board or staff of the Agriculturist group can also call meetings.

At a meeting, member attendance should not be less than 2/3 of the total members so that the vote of the meeting will be valid.

In the event member attendance is less than the required number, a new meeting can be called within 14 days and it should have member attendance of not less than 1/3 of the total members. Then the vote at the meeting is valid.



The meeting resolution must be taken as final by all members in each Unit.

Article 46) Activities of the Unit

Activities of a unit are as follows:

- (1) investigate and consider applicants for membership (Article 5);
- (2) accept new members and resignations from members;
- (3) elect and retire the Chief of the Unit and his Assistant (Article 47);
- (4) investigate the use of members loans and manage such matters as debt repayment by members, supplies procurement, equipment, etc, to achieve the objectives of the Agriculturist group.
- (5) disseminate knowledge about fishery and sale;
- (6) provide training and fishery education;
- (7) put into effect decisions of the general meeting and the Administrative Committee;
- (8) take any actions possible to promote the members activities.

Article 47) Election of Chief and Assistant(s)

Each unit will elect one Chief and one or more Assistants annually. When the year's term is up, there will be a new election, whether the former Chief or Assistant still has the authority to manage the work.

A person can be re-elected.

Chief's duties: be chairman and supervise the general activities of the unit and other activities as assigned by the Agriculturist group.

Assistant's duties: assist the Chief and act on his behalf if he is absent.

The Chief and the Assistant have the authority to sign on behalf of the Unit.



Resignation of the Chief or Assistant:

- (1) his term is up;
- (2) personal reasons;
- (3) loss of membership for no matter what reason;
- (4) be retired by the Unit Meeting by a vote from no less than 2/3 of the total members. In the event the position of Chief or Assistant is vacant before the term is up, the meeting can call for a new election and those persons elected can be appointed as Chief or Assistant for the remaining time of the term only.

Each time there is to be a new election, the Chief or Assistant must inform the Agriculturist group immediately.

GENERAL MEETING

Article 48) General Meeting

At least 7 days before the Meeting the Board of Directors should inform the members and other officials concerned of the date, time, place and agenda of the Meeting.

Article 49) Ordinary General Meeting

(1) The initiators of the Agriculturist group's establishment will call all members to attend the first Ordinary General Meeting, in order to appoint the Board of Directors, within 90 days of registering the group.

(2) The Board of Directors will call a meeting at least once a year and within 150 days of the end of the Agriculturist group's fiscal year.

Article 50) Extraordinary General Meeting

The Board of Directors will call an Extraordinary General Meeting:

- (1) within 30 days of a call from the Registrar of the Agriculturist group;



(2) within 30 days of a loss to the Agriculturist group which is higher than 1/2 of the paid shares;

(3) in the event not less than 1/3 of the total members ask for an Extraordinary General Meeting to approve some activities. In this connection, the Board of Directors will call for an Extraordinary General Meeting within 30 days of their request.

If the Board do not manage to hold an Extraordinary General Meeting within the fixed time, (2) and (3), the Registrar of the group has the authoring to arrange one within the proper time.

Article 51) Quorum of the General Meeting

Not less than 1/2 of the total members will be recognized as quorum for the meeting. A member can ask another person to attend the meeting in his stead. However, that one person cannot replace more than 3 members. In the event the members attending the meeting total less than half of the total number, a new meeting will be set up within 14 days of the first meeting. For the second meeting, if it is not an extraordinary General Meeting requested by the member under Article 50 (3), a quorum will be not less than 1/3 of the total members.

Article 52) Votes and Final resolution of the General Meeting

One member has only one vote no matter how many shares he holds. If the votes are equal, the vote of the chairman will be final.

A person replacing any members has one vote for each member.

For a final resolution by the General Meeting a majority vote is necessary except in the following 3 cases where 2/3 of the members votes are required:

- (1) amendment of by-laws;
- (2) dissolution of the Agriculturist group;
- (3) any actions stated in the by-law as needing 2/3 of the members vote.



Article 53) Authority of the General Meeting

The General Meeting is the highest authority to take any action regarding the Agriculturist group's activities including the following:

- (1) the matter of new members and their registration;
- (2) fixing the amount of loans to members each year;
- (3) fixing the amount of transportation fares, commission, the Board of Directors, residence rent, Group Inspector, Chief and Assistant;
- (4) consider a change in interest rate;
- (5) elect the Board of Directors or dissolve the Board;
- (6) elect the annual Inspector of Activities;
- (7) review the balance-sheet and annual report of activities;
- (8) allocate annual net profit;
- (9) consider and amend the by-laws;
- (10) act on the advice of the Agriculturist Group Registrar, Auditing Supervisor, and official assigned by the Agriculturist group registrar;
- (11) consider co-operation with other Agriculturist groups;
- (12) give permission to one Agriculturist Group to combine with another group in accordance with the royal decree;
- (13) cooperate with the Ministry of Agriculture and Cooperatives, Ministry of Interior and others, in line with fishery promotion and dissemination together with technical advice, training, etc.;
- (14) set up a work policy.



BOARD OF DIRECTORS

Article 54) Election of the Board of Directors

The General Meeting will elect to the Board of Directors no more than 5 persons annually. The Board will then elect a President, Vice-President, Secretary, and Treasurer among themselves and put this to the General Meeting.

Period of operation: 1 year. If the period of operation comes to an end and no other Board has been elected to replace it, the former Board will still have the authority of operation. A member of the Board can be re-elected unless his re-election is considered undesirable by the General Meeting.

Article 55) The Founding Committee of the Group

The Agriculturist group has the authority to manage the work as the Board do; only when there is an election of a Board of Directors, the Agriculturist group assigns the management to the Board.

Article 56) Termination of the Board of Directors

The Board will be terminated due to the following reasons:

- (1) their term is up;
- (2) they resign;
- (3) they are no longer members;
- (4) they are a permanent member of the Agriculturist group;
- (5) they are disapproved of by the General Meeting.

Article 57) Vacant Position Before Time

Even if there is a vacant post on the Board of Directors, a meeting can be held, except in the case of an Extraordinary General Meeting when the Board must be complete. If the number of members attending are less than stipulated, the meeting cannot be held and an Extraordinary General Meeting will be set up.



A member who fills the vacancy can stay until the next election only.

Article 58) Meeting and Quorum of Meeting

There should be a meeting at least once a month. The President, Vice-President or Secretary have the authority to call a meeting. No less than half the Board of Directors should be present at the meeting.

Article 59) Authority of the Board of Directors

The Board of Directors will manage all activities and represent the Agriculturist group in connection with other groups activities. These following items are also their responsibility.

- (1) applications from new members including the payment of the entrance fee, purchase of shares and signing of the member registration book;
- (2) the matter of the resignation of members;
- (3) the refunding of money to members who leave the group.
- (4) the members requests to borrow money;
- (5) loans;
- (6) the encouragement of joint purchasing of goods and equipment;
- (7) the urging of members to sell aquatic animals or products collectively;
- (8) the provision of fishing boats fishing gear, machinery, fishery factory;
- (9) the promotion and dissemination of fishery education;
- (10) the management of the Agriculturist group's property;
- (11) the taking of appropriate action regarding members assets and debts, incomes and expenses with other agricultural registers;



- (12) the calling of a general meeting;
- (13) the management of the employment and termination of the Agriculturist group's staff.
- (14) the evaluation of applicants when replacing a manager;
- (15) the provision of auditing and financial investigation;
- (16) the setting up of the rules and regulations of the Agriculturist group;
- (17) the maintenance of balance sheets for auditor investigations and the compilation of an annual report to present at the General Meeting at the same time as the balance sheets;
- (18) the supervision of the deposits and investments of the group;
- (19) the setting up of the operating policy of the group;
- (20) the supervision, and provision of advice and assistance to the staff of the group in carrying out their work efficiently;
- (21) the maintenance of the group's property: buildings, equipment, etc. in a safe and good condition;
- (22) the management and supervision of the group's financial matters;
- (23) the observance of the orders from the Registrar of the group or officials assigned by the Registrar;
- (24) the respecting of the laws concerning agriculturist's activities;
- (25) the co-operation with other units: the Ministry of Agriculture and Cooperatives, Ministry of Interior, etc., in promoting and disseminating the activities of the group and training;
- (26) any other actions approved by the Co-op Registrar in order to achieve the objectives of the group.



Article 60) Assignment

In the case of operating with people outside the group, the Board of Directors can assign a member of the Board or a manager to manage the work.

INSPECTOR

Article 61) Inspector The General Meeting elects 1 to 3 persons to be annual inspector(s) of the Agriculturist group.

Members and non-members are eligible however in the case of non-members, they can only be elected on a basis of 1/3 of the total inspectors. Members of the Board of Directors and staff of the Agriculturist group cannot be inspectors. After the election, the inspectors will choose their chief and put their proposal to the General Meeting for approval. His term will end when there is a replacement.

Article 62) Authority and duties of an Inspector

The authority and duties of the Inspector are as follows:

- inspect activities of the Agriculturist group;
- prepare an inspection report and present it to the General Meeting and the Registrar of the group. As for the Registrar of the group, a report is to be submitted every 3 months.

The Inspector can attend the meetings of the Board of Directors but cannot vote.

Article 63) Lack of designation

After evaluation of the Inspector's report at the General Meeting the Inspector's term will be up and an election will be held for the next inspector. The former inspector can be re-elected.

Article 64) President

At a General Meeting or a Meeting of the Board of Directors the President of the Board will be the President of the meeting. If the President is absent, the Vice-President will preside. If the Vice-President is absent, the Meeting may select a member to head the meeting.



MINUTES OF MEETING

Article 65) Report of the Meeting

At a General Meeting or a Meeting of the Board, the President and one member of the Board will sign the minutes. At the Meeting of the Unit, the chairman will sign.

GROUP EMPLOYEES

Article 66) Employment and appointment of staff

Staff means the officials of the Agriculturist group including the manager.

The Board of Directors will select qualified persons as staff and determine their salaries and other compensation which must be put forward at the general meeting.

For all staff including the manager, an employment contract is to be drawn up and references supplied in accordance with the work involved.

Article 67) Duties of the Manager

The Manager's duties are as follows:

- (1) Investigate the applications of members and all other management;
- (2) manage share collection, transfers and refunds;
- (3) manage the loan documents;
- (4) investigate members account books in connection with loans;
- (5) take necessary actions in order to achieve the objectives of the group;
- (6) act on behalf of the members regarding purchasing/sales and any other business of the group;
- (7) set up the duties and responsibilities of the staff;



(8) manage the promotion and dissemination of fishery education, income and expenses, training and take action in line with debts and properties with other Agricultural registers on behalf of the members;

(9) call the general meetings and meetings of the Board;

(10) attend the general meetings unless permission is refused;

(11) take care of members correspondence;

(12) manage the accounting and registration of the group;

(13) inspect the groups financial matters;

(14) keep the cash holding of the group within the fixed amount managed by the Board as a supporting fund for members and manage the group's deposits;

(15) check on the prices of aquatic animals and their products in the market place and keep the Board and members informed of the fluctuations;

(16) maintain the group's properties; land, buildings, equipment, etc. and aquatic animals/products in good condition;

(17) provide a monthly report on the activities of the group to the Board;

(18) perform any other tasks assigned by the Board.

Article 68) Replacement of the manager

In the event the manager is absent, he must ask another person, the deputy-manager or an official, to replace him.

Article 69) Change of manager

When there is a change in manager, the Board are to call for an investigation of the accounts, financial documents and properties of the group before a new manager can be assigned to the job.



SIGNATURE ON BEHALF OF THE GROUP

Article 70) Signature on behalf of the Agriculturist group

(1) Signing should be in the loan book that indicates the group is a borrower, a mortgage, and on the checks or investment documents of the group. Two persons from among the president, vice-president, secretary, treasurer and manager are to sign.

(2) Legal documents are to be signed including: documents sent to members, to acknowledge receipt of share holding receipts, etc. Only one of the following need sign, the president, vice-president, secretary, treasurer, or manager.

REGULATIONS OF THE AGRICULTURIST GROUP

Article 71) Regulations of the Agriculturist group The Board of Directors has the power to establish regulations for the group to assist it in achieving its objectives.

The Agriculturist group will file a copy of all regulations with the Registrar of the group.

BALANCE-SHEET

Article 72) Fiscal Year The period of the group's fiscal year should be twelve months and must end on 30 September every year.

Article 73) A balance-Sheet

The Agriculturist group will provide a balance sheet at the end of every auditing year to the Auditing Inspector.

The balance-sheet should cover the assets and liabilities of the group and include profit/loss accounting.

Article 74) Annual Report

The Agriculturist group will prepare an annual report on the operation of the group up to the end of each auditing year.



Article 75) Proposed Balance-Sheet and Annual Report

The Board of Directors will put forward the balance sheet investigated by the Auditing Inspector to the General Meeting for approval within 150 days of the end of the auditing year along with an annual report.

The Agriculturist group will send a copy of the annual report and balance-sheet to the Registrar of the group within 30 days of the General Meeting.

ANNUAL NET PROFIT

Article 76) Distribution of Annual Net Profit

When there is a net profit, the General Meeting is to allocate an amount of not less than 10% of the net profit to the supporting fund.

The remainder of the net profit will be disbursed as follows:

- (1) to pay dividends to members in accordance with their shares at a rate of no more than 8% per annum;
- (2) to pay a patronage refund to members who are at their auditing year-end;
- (3) to pay a bonus to those on the Board, the Inspector and staff of the group (not more than 10%);
- (4) as a scholarship fund for fishery training (not over 10%);
- (5) to be a share transfer fund (not over 5%);
- (6) to be an accumulative fund for the welfare of members and their families;
- (7) to be an accumulative fund to procure property for keeping or processing aquatic animals and to use as offices.



SUPPORTING FUNDS OR PROPERTIES

Article 77) Supporting Funds or Properties

Supporting fund or properties will be managed in accordance with the fixed objectives of the Group. If there are no specific objectives the resolutions of the General Meeting should be applied.

RESERVE FUND

Article 78) Reserve Fund

Reserve fund of the Agriculturist group cannot be divided. This reserve fund cannot be withdrawn from the account if there is a loss.

TECHNICAL TRAINING FUND

Article 79) Technical Training Fund

The Agriculturist group will use this fund for training or to disseminate information as approved by the Board.

SHARE TRANSFER FUND

Article 80) Share Transfer Fund

This fund is collected to pay for refunds to members, under Article 22, in order to hold those shares temporarily. The Agriculturist group will sell those shares to other members as additional holdings.

DEPOSITING AND INVESTMENT OF THE GROUP

Article 81) Depositing and Investment of the group

Members of the Group can be managed as follows:

(1) deposit in the Bank for Agriculture and Agricultural Cooperatives (BAAC) or any other banks which provide financial assistance to Agriculturist groups;



(2) deposit in any bank if there is no BAAC in the area or deposit in a Savings Bank after approval by the Registrar of the Agriculturist group.

(3) buy Government Assets.

#### REGISTRATION BOOK AND OTHER DOCUMENTS

##### Article 82) Registration Book and Other Documents

The Agriculturist group will provide the registration book and other documents to members to review in the office at no charge.

##### Article 83) Accountancy

The Agriculturist group is responsible for the accounting, members have the right to check the accounting documents on request.

##### Article 84) Member Registration and Share Registration

The Agriculturist group will take care of the member and share registration and keep the related documents at the office and send copies of them to the Registrar of the group within 60 days of the members day of registration.

In the event of some registration changes, the group should inform the Group Registrar within 60 days.

#### ACCOUNT INSPECTION AND GROUP CONTROL

##### Article 85) Accounts Inspection

The accounts should be inspected at least once a year by an Accountant designated by the Registrar.

##### Article 86) Inspection of Financial Activities

The official appointed by the Registrar has the authority to inspect the activities and financial status of the group.



Article 87) Keeping the Registrar Informed

The Board of Directors, Inspector, Staff of the Group and members are to send operating documents to the Registrar of the Group, Accountant or others assigned by the Registrar or keep them informed of the actual situation within the Group.

Article 88) Inspection Assistance

The Registrar of the group, Accountant, and officials concerned have the authority to inspect the work of the Agriculturist Group in the office during working hours and the Group and the Board are to assist and give advice to the Inspectors.

AMENDMENT OF BY-LAWS

Article 89) Amendment of By-laws

The Agriculturist group may amend the by-laws by passing a resolution at the General Meeting with not less than 2/3 of the attendants votes. The group must submit the amended by-laws to the Registrar of the group within 30 days. The amended by-laws will be effective from the date of the resolution of the General Meeting and the approval of the Registrar.

Article 90) Change of the Group's Name

If the Agriculturist group wishes to change the Group's name, Article 89 must be followed and the group has to return the group's registration documents to the Registrar so that a new registration with the new name of the group can be made.

ASSETS PAYMENT WHEN THE GROUP IS DISSOLVED

Article 91) Assets Payment When the Group is Dissolved

If there are any remaining assets after paying back any debts and following the requirements of the Cooperatives Law for the dissolution of an Agriculturist group the funds can be distributed as follows:

(1) refund the cost of the shares to members but not more than the amount paid for the shares;



(2) pay dividends in accordance with Article 76 (1) regarding paid shares;

(3) give a patronage refund to members, under Article 76 (2).

Payment under (2) and (3) combined must not exceed the total net profit of the group made during the dissolution year of the group.

In the event there are some properties left, the Registrar of the group will keep them in order to transfer them to another group of the same level, according to the resolution of the General Meeting.

The meeting of the would-be members of .....  
..... Agriculturist Group considered the above mentioned by-laws on ..... and agreed to accept them as the by-laws for the Group.

..... Chairman

(.....)

..... Secretary

(.....)

Officials who participated in the meeting .....

..... Position .....

(.....)

..... Position .....

(.....)



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Annex II Table 1 Debts of the fisherman's groups to the BAAC

	Baht			
	1980	1981	1982	1983
Funds at beginning of year	2,636,262.29	2,399,150.96	1,991,961.92	2,250,943.92
Increase within year	524,000.00	1,913,000.00	-	80,000.00
Total	3,160,262.29	4,312,150.96	1,991,961.92	2,330,943.92
Repayment during year	421,024.81	2,166,480.98	313,489.13	1,188,904.90
Remaining amount at end of year	2,739,237.48	2,145,669.98	1,678,472.79	1,142,239.02

(Source) "รายงานสถิติการเงินของกลุ่มเกษตรกรทำประมงและเลี้ยงสัตว์น้ำ ประจำปี 2523 - 2527"

(Report and statistics of agriculturist groups for capture and aquaculture fishery 1980-1984).  
Department of Auditing, Ministry of Agriculture and Cooperatives.



Annex II Table 2 Loans to client fishermen of the BAAC

	Million Baht					
	1978	1979	1980	1981	1982	1983
<b>Short-term loans</b>						
Fish culture	24	18	23	44	64	78
Marine fishing	12	10	12	17	22	30
Shrimp culture	5	4	8	10	31	29
Others	6	1	2	2	2	3
Sub-total	47	33	45	73	119	140
<b>Medium-term loans</b>						
Purchase of fishing equipment	25	27	21	19	23	27
<b>Long-term loans</b>						
Purchase of fishing equipment	2	4	4	4	4	6
Grand Total	74	64	70	96	146	173

1) The above figures are only loans to client fishermen who are in direct control of the bank, they exclude loans to fishery cooperatives and fishermen's groups.

2) The figures are taken from the issues clarifying loans to fisheries only.

(Source) "Annual Report 1981, 1983" BAAC.



Annex II Table 3(1) Increase and decrease in the financial statements of fishermen's groups

	---- Assets ----			Baht, %	
	1980-1981	1981-1982	1982-1983	1983-1984	
<b>Current Assets</b>					
Cash in hand and at Banks	4,092.38 (8.84)	-9,260.95 (-84.83)	-1,867.81 (-7.67)	1,506.50 (2.31)	
Accounts receivable-loans	3,418.13 (7.38)	-8,622.77 (-78.99)	226.02 (0.92)	-4,244.38 (-6.53)	
Accounts receivable	16,267.06 (35.14)	-10,163.46 (-93.10)	-1,774.27 (-7.29)	3,757.68 (5.78)	
Inventories and supplies	32,195.81 (69.56)	29,311.81 (268.51)	-15,615.46 (-64.19)	4,111.36 (6.33)	
Interest receivable	-20,903.34 (-45.16)	-30.24 (-0.27)	39.10 (0.16)	-615.54 (-0.94)	
Deferred income and others	-6,776.84 (-14.64)	1,463.03 (13.40)	-2,029.82 (-8.34)	8,997.97 (13.85)	
Total current assets	30,450.42 (65.79)	-1,394.62 (-12.77)	-17,886.32 (-73.53)	29,817.97 (45.91)	
Fixed assets	20,922.42 (45.20)	-14,611.69 (-133.85)	7,805.85 (32.09)	26,560.79 (40.89)	
Other assets	-5,090.40 (-10.99)	5,090.20 (46.63)	1,368.71 (5.62)	8,565.73 (13.18)	
Total Assets	46,282.46 (100.00)	-10,916.11 (-100.00)	-24,323.46 (-100.00)	64,944.49 (100.00)	

1) Proportion of each item is computed as follows:

(current year - previous year)/(the current total assets - the previous total assets) x 100%

2) In the case of a decrease, a minus sign is placed next to the number

In the case of a decrease in Total Assets the total proportion is minus one hundred per cent.



Annex II Table 3(2) Increase and decrease in the financial statements of fishermen's groups

----- Liabilities and Equity -----

	1980-1981	1981-1982	1982-1983	Baht, % 1983-1984
Current Liabilities				
Accounts payable-loans	-6,398.26 (-13.82)	-3,555.36 (-32.56)	-4,280.09 (-17.59)	-1,299.79 (-2.00)
Bank overdraft	10,161.71 (21.95)	8,676.18 (79.48)	-4,198.38 (-17.26)	14,220.78 (21.89)
Accounts payable	-3,521.95 (-7.60)	3,091.92 (28.32)	-12,073.37 (-49.36)	-1,540.85 (-2.37)
Accrued expenses and others	1,754.87 (3.79)	-12,721.74 (-116.54)	-3,535.28 (-14.53)	-2,398.65 (-3.69)
Total current liabilities	2,474.09 (5.34)	-2,632.41 (-24.11)	-23,996.91 (-98.65)	12,800.16 (19.70)
Long-term liabilities	9,335.25 (20.17)	-5,421.94 (-49.58)	-2,502.80 (-10.28)	6,299.67 (9.70)
Other liabilities	63.34 (0.13)	5,148.00 (47.15)	2,363.59 (9.71)	1,396.81 (2.15)
Total liabilities	11,872.68 (25.65)	-2,897.35 (-26.54)	-24,135.12 (-99.22)	20,495.64 (31.55)
Group Equity				
Share capital	4,719.47 (10.19)	-12,263.45 (-112.34)	-2,389.88 (-9.82)	2,018.71 (3.10)
Legal reserve	3,241.17 (7.00)	14,952.26 (136.97)	10,551.72 (43.38)	13,855.99 (21.33)
Other funds	23,985.34 (51.82)	-8,167.88 (-74.82)	1,090.85 (4.48)	22,161.49 (34.12)
Net profit (Loss)	671.51 (1.45)	-5,487.72 (-50.27)	-4,631.71 (-19.04)	6,110.37 (9.40)
(Retained earnings)	-1,792.29 (-3.87)	-2,948.03 (-27.00)	4,809.32 (19.77)	-293.27 (-0.45)
Total equity	34,409.78 (74.34)	-8,018.76 (-73.45)	-188.34 (-0.77)	44,448.84 (68.44)
Grand Total Liabilities and Equity	46,282.46 (100.00)	-10,916.11 (-100.00)	-24,326.46 (-100.00)	64,944.49 (100.00)



Annex II Table 4 Results of business operations of a fishermen's group

	Baht			
	1980	1981	1982	1983
<b>Gross income</b>				
Credit business	4,937.74	4,585.94	4,574.09	6,109.26
Purchasing business	2,270,578.49	4,824,821.46	3,979,151.99	3,445,318.03
Marketing business	5,493.05	-	-	-
Service business	6,926.50	8,082.28	9,836.09	6,990.73
Total (1)	2,287,935.79	4,837,489.67	3,993,562.17	3,458,418.02
<b>Direct Cost</b>				
Credit business	10,293.71	12,479.99	15,405.88	17,480.97
Purchasing business	2,215,259.94	4,715,912.02	3,872,920.99	3,351,312.44
Marketing business	5,250.49	-	-	-
Service business	4,947.62	3,700.61	5,484.25	1,143.71
Total (2)	2,235,751.76	4,732,092.62	3,893,811.12	3,369,937.12
Business gross profit (3) = (1)-(2)	52,184.03	105,397.05	99,751.05	88,480.91
Other profit (4)	28,640.11	12,791.70	15,182.73	10,419.00
Total gross profit (5) = (3)+(4)	80,824.14	118,188.75	114,933.78	98,899.91
<b>Expense</b>				
General administrative expenses (6)	38,758.56	77,524.07	76,626.14	68,721.93
Profit (Loss) from implementation (7) = (5)-(6)	42,065.58	40,664.68	38,307.64	30,177.98
Profit	44,544.86	47,478.13	48,468.71	39,712.97
Loss	(2,479.29)	(6,813.45)	(10,161.07)	(9,534.99)
No. of operational groups	82	89	85	86
				70



Annex II Table 5 Characteristics of administrative expenses for a group

	Baht			
	1980	1981	1982	1983
Salaries and wages	779,456.35	1,564,380.60	1,549,110.00	1,126,639.00
Rent	157,725.00	305,964.00	616,727.35	1,487,773.77
Utilities	91,659.27	127,567.62	162,869.49	152,415.86
Repairs and maintenance of equipment	93,730.00	147,272.00	156,314.05	349,481.94
Depreciation	271,378.06	595,751.18	862,278.87	804,031.98
Allowance for bad debts	159,374.70	110,839.85	380,215.92	153,769.14
Inventory loss	38,820.24	1,418,011.02	782,438.37	266,130.40
Fuel loss and inventory damage	-	-	-	-
Interest paid	-	-	-	-
Others				
Total	3,178,202.05	6,899,642.14	6,513,222.21	5,910,086.00

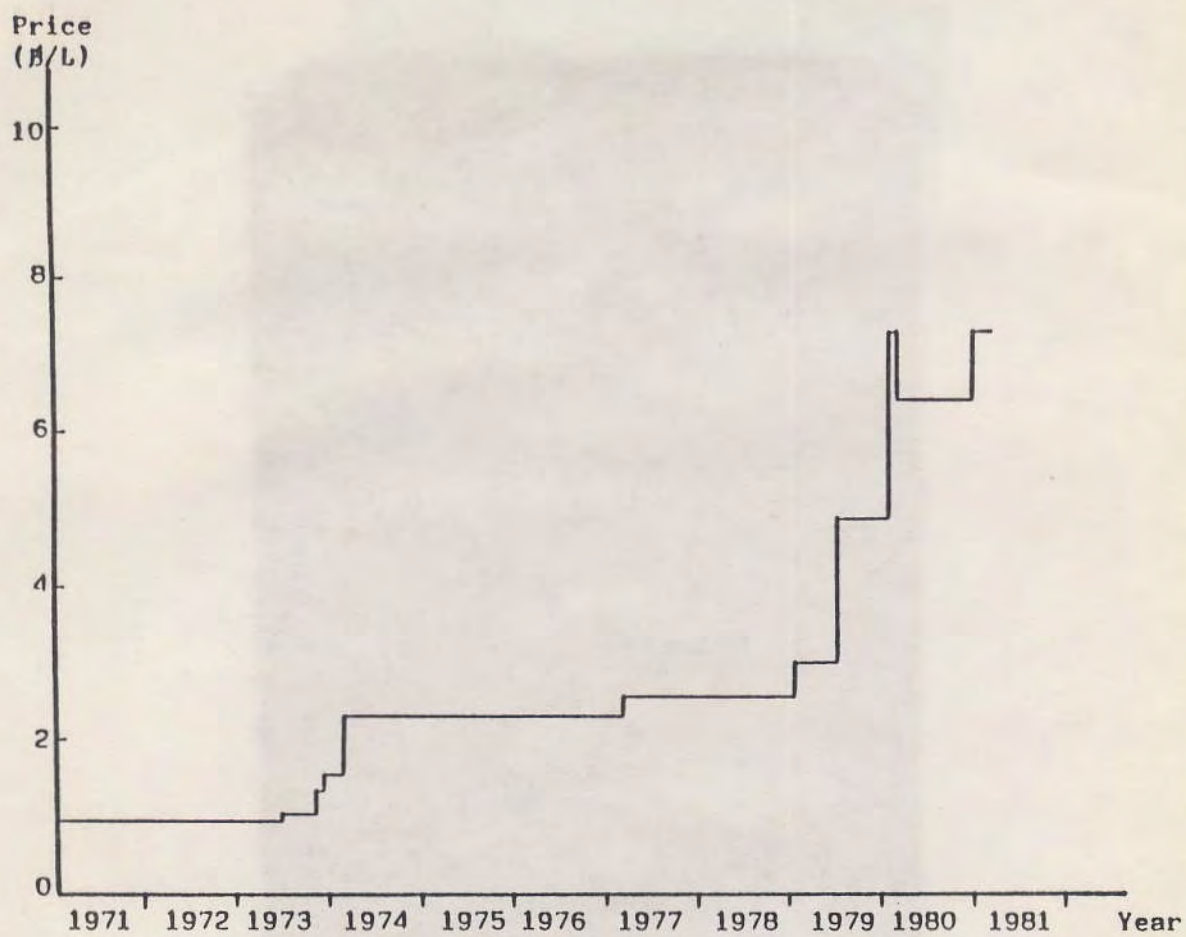
6,326,184.03



Annex II Table 6 Indicative ratios of the financial position of a fishery cooperative

	%			
	1980	1981	1982	1983
Current ratio	111.36	115.85	130.65	131.10
Quick ratio	110.48	107.88	117.25	122.27
Debt-to-equity ratio	644.85	432.16	252.97	273.58
Current debt-to-equity ratio	633.92	424.38	245.77	266.76
Long-term debt-to-equity ratio	8.65	5.25	6.75	6.14
Fixed assets-to-equity ratio (I)	15.14	37.10	26.96	21.87
Fixed assets-to-equity ratio (II)	15.31	37.24	27.05	23.14





(Source) "ข้อมูลน้ำมัน" (Data for oil), Faculty of Economics, Thammasart University.

Figure 1. Changes in the price of diesel oil