

# Conditions for the Success of new Moshav: The stage-by-stage approach

This article will describe the "Moshav" from a new angle, with emphasis on the feasibility of the Moshav and under what conditions it can survive. A description will be given of both the environment in which the Moshav should be set up, and the type of population involved.

What is a Moshav?

Moshav is a complex system comprising five components. Any "village" which does not include these components is not a Moshav.

The first component is a multipurpose co-operative. One-purpose co-operatives are not unusual; they exist for the purpose of production, credit and savings, supplying inputs, marketing, irrigation, storage, processing, consumption, construction, housing, transport and haulage, accounting, pensions, insurance, and technical services. Multipurpose co-operatives are rare phenomena, and each of them covers only a fairly limited number of functions. The sole example of a multipurpose co-operative that includes all fifteen functions listed above is the Israeli Moshav. This is the most sophisticated multipurpose co-operative in the world.

(The Moshav is a co-operative within a village, and all of the village's residents are members of the co-operative. There is complete identity between the village and the co-operative)

The second component of the Moshav is that it is identified with a village. Throughout the world, we find villages in which co-operatives are located. However, not all of the inhabitants are members of the co-operative. There are instances of several co-operatives in the same village, with residents who are members

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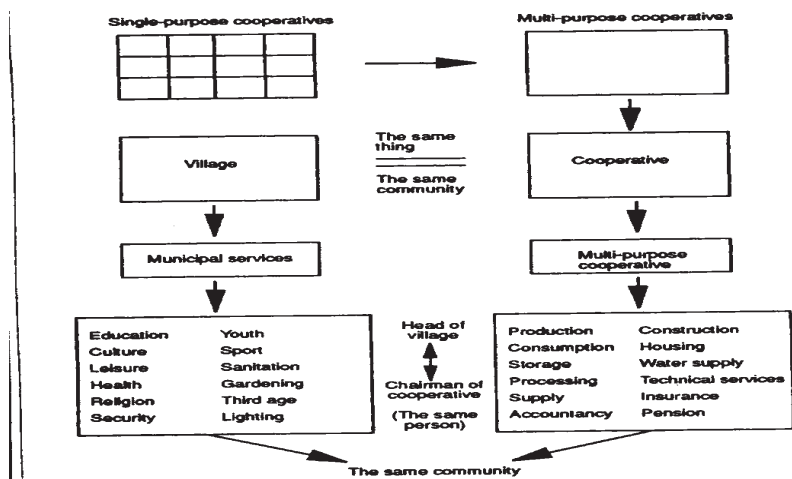
of one co-operative but not of another. There are also residents who are not members of any co-operative. In contrast, the Moshav is a co-operative within a village, and all of the village's residents are members of the co-operative. There is complete identity between the village and the co-operative. The third component consists of the municipal services with which the Moshav provides its members. These include facilities for education, culture, social activities, health, youth, sport, public parks, religion, sewage, refuse collection, lighting of public areas, roads, and amenities for senior citizens. The village head who is responsible for municipal services, and the manager of the co-operative - who is responsible for its operation, are one and the same person, and there is no de facto distinction between this individual's work in the two spheres. The fourth component is the "communal" one. The members of the community, although able and desiring to act as individuals, identify with the community and clearly express their desire to live

in it, and participate of their own free will in its various activities. However, all individuals within the community can act according to their own wishes with regard to all aspects of their work: doing as they see fit, making progress and developing to the best of their abilities.

(The basis of any system of agricultural development, anywhere in the world, is the "essential triangle of agriculture". A farmer can produce only when he can obtain the necessary inputs and in order to obtain them, he has first to obtain appropriate credit. The farmer markets the agricultural produce, after which he can repay the loans he has received.)

The fifth component consists of the mutual assistance and responsibility on "the part of members of the Moshav. First and foremost, this means practical help to members and their families in times of need, pressure, crisis and trouble. The mutual responsibility between members of the Moshav allows the Moshav to operate as a credit co-operative, i.e., as a body which provides productive credit and permits the farm proper to function. Without this support system, the Moshav cannot exist.

Figure 1. (The Five components of Moshv)



The principle is correct, and the criticism currently being leveled at it is off the mark: what has been defective is the implementation of this principle in those villages which called themselves Moshavim, but were not Moshavim in the true sense of the word.

### The Essential Agricultural Triangle

The basis of any system of agricultural development, anywhere in the world, is the "essential triangle of agriculture". A farmer can produce only when he can obtain the necessary inputs and in order to obtain them, he has first to obtain appropriate credit. The farmer markets the agricultural produce, after which he can repay the loans he has received. The triangle is thus: provision of credit, provision of inputs and marketing, and in the center of the triangle we have the production process. This triangle must in fact always be "closed". The problem in most co-operatives in the world is that for various reasons, the farmer does not market through the intermediary of the co-operative

Figure 2. The essential Triangle of Agricultural Co-operatives:

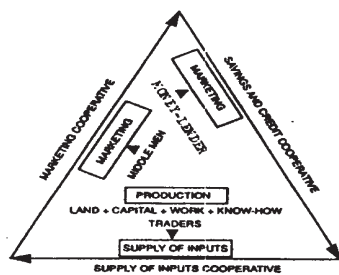


Figure 2. The essential triangle of the agricultural cooperative.

and the triangle is therefore not closed. The farmer does not return the credit he has received, and the co-operative fails. The traditional system includes the loan of money, normally at a high rate of interest; the merchant who sells the farmer the input needed for production, normally at a high price; and the middleman who sells the farmer's produce, for which he usually pays a low price. In many instances these

three roles are merged in a single individual, who possesses a great deal of money, dominates the rural population as a result of his economic power, and exploits it. The farmer, having no alternative, has to sell his produce to the person who lent him the money and sold him his inputs.

The three sides of the triangle take different forms in different countries. In certain countries, the government fulfills all three of the functions of the triangle. This arrangement usually leads to an extremely low level of efficiency, and once again it is the farmer who suffers. The setting up of co-operatives for all three sides of the triangle will - if they are genuine co-operatives which are correctly applied - provide the farmer with the highest possible returns.

An understanding of the nature and operating mode of this triangle, as well as of its role in development, will enable us to examine the model for development in traditional rural areas.

### The General Model of Development in Traditional Rural Areas

In a traditional society, development processes in general, and those of co-operative development in particular, differ from those of a nontraditional society. In a traditional society, one general development stage succeeds another, and the same applies to co-operative development. No successful development of a particular stage can take place unless it is preceded by the previous stage. The model of the Moshav presented above is a model of development which can occur only in an environment with a non-traditional population. Much of the lack of a high degree of success of immigrants' Moshavim in Israel is a result of the fact that the planners tried to apply to a traditional population a model suitable for a non-traditional population.

According to the model of development in traditional rural areas, the first stage of any development system is that of production. Its task is to ensure that the farmer will improve his position, and that his future income will be greater than it is currently. In order to achieve these changes, three main elements must be realized:

- i) the application of farm management techniques and the preparation of a suitable farm plan;
- ii) expert agricultural extension services; and
- iii) an education system for the establishment of suitable co-operatives.

The second stage consists of the three components of the essential triangle, all of which are derived from and depend on the first stage. If the first stage - production - does not exist, there is no chance of the second stage existing. Furthermore, the existence of each of the second-stage components depends on the existence of the two other components. For example, different support bodies throughout the world have tried to extend the use of fertilizers to traditional farmers. These attempts failed because the production phase was not implemented: farmers were not capable of producing quantities much greater than former and therefore failed to cover the extra expense of fertilizers. Another example: in many developing countries, state banks made production credit available to farmers on convenient terms. Credit was injected, production was achieved -but no one had provided a suitable marketing system. Farmers had to sell their produce via the traditional marketing system, lost money, and hence, failed to repay their debts to the bank. The triangle was not closed, and the project failed.

The third stage is also a direct offshoot of the production stage,

Figure 3. General model of the stages in the creation of a multi-purpose co-operative.

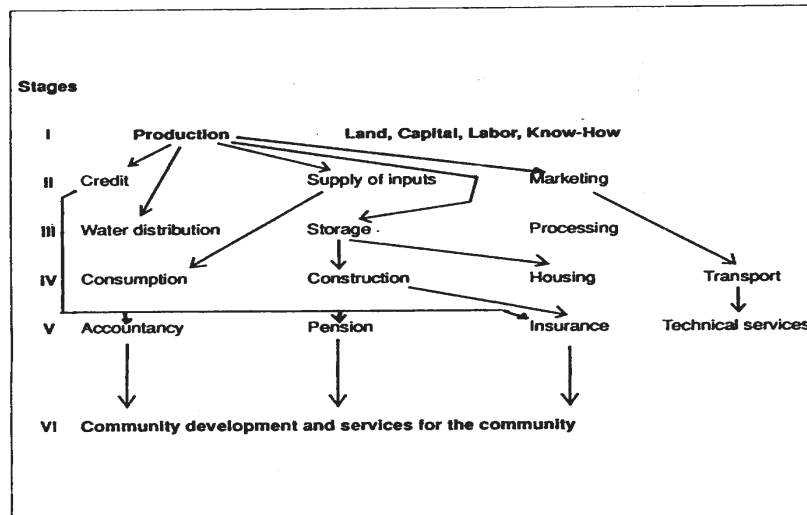


Figure 3. General model of the stages in the creation of a multi-purpose cooperative.

but cannot exist in the absence of the second stage. The third stage includes water supply and distribution arrangements. A water-supply co-operative is usually one of the most common co-operatives found in traditional areas. This stage also includes the functions of storage and processing, which are offshoots of the first stage.

The fourth stage includes the co-operative store arrangements, which are related to the system for supply input included in the second stage. This stage also includes the construction and housing functions, which derive from the storage function, as well as transport for marketing purposes.

The fifth stage includes the technical services arrangements - an offshoot of transport - as well as three further functions: accounting, pension and insurance. These derive from the credit function included in the second stage.

The sixth stage is that of community development, which is in the socio-economic sphere.

#### Co-operatives in Traditional Rural Areas

Co-operatives in traditional rural areas are extremely simple in terms of their overall functions. In the initial stages of development, the population of traditional

farming areas tries to set up a multi purpose co-operative, which includes the basic elements of the essential triangle of agriculture. However, the problem is that those who set up such a co-operative do not understand its real nature. Some people claim that they are against a multi purpose co-operative, because it is the same thing as the Moshav. What they do not understand is that while the Moshav is a multipurpose co-operative, it is the most elaborate one in the world. However, when we talk about a multipurpose co-operative in the context of development of traditional rural regions, we are actually referring to something much simpler, and above all something which must respect the proper order of stages and the correct speed of implementation.

(According to the model of development in traditional rural areas, the first stage of any development system is that of production. Its task is to ensure that the farmer will improve his position, and that his future income will be greater than it is currently.)

Thus there could be, for example, a multipurpose co-operative which includes the first-stage production function, the second-stage marketing function, the third-stage storage and

processing functions, and the fourth-stage transport function. Such a co-operative would be feasible, even though it does not include the credit and input functions, which are also part of the second stage (parts of the essential agricultural triangle). These two functions are provided by non-co-operative arrangements, such as by the government which supplies specific credit via a co-operative development bank and thus permits provision of inputs, or via the rural development network generally existing in a Ministry of Agriculture.

A further example of a multi purpose co-operative is that which includes the first-stage production function, third-stage water distribution, and sometimes also the storage and processing stages, also part of the third stage. This multi purpose co-operative does not include the second-stage functions: credit, inputs and marketing. This system can exist successfully when these functions are fulfilled by different (sometimes government) bodies, which meet the requirements to the farmers' satisfaction. The general rule is that a co-operative can succeed only if its members need its services. If these services are provided elsewhere, to the satisfaction of the farmers, there is no need for a co-operative.

#### New Immigrants' Moshavim in Israel

In the 1950s, hundreds of Moshavim - known then as "immigrants' Moshavim" - were set up in Israel. Their establishment was accompanied by many vicissitudes and a long time passed before they were on a stable footing. Most of the residents of these Moshavim came from the traditional population in their countries of origin. In the 1960s, as part of international aid projects, Israel set up co-operative villages along the lines of the Moshav in many developing countries throughout the world: again, in areas with traditional

populations. Neither of these settlement operations, including some of Israel's aid activities in Third World countries, was entirely successful. Implementation of a development project in traditional rural areas will be successful only if the stage-by-stage development model is followed.

Any attempt immediately to set up co-operative villages along the lines described above is tantamount to trying to start at the fifth or sixth stage. The establishment of immigrants' Moshavim in Israel was an attempt to develop rural areas with a traditional population, and did not observe the requisite step-by-step approach. In making this point, we are ignoring the considerations which determined the policy at the time for the rapid settlement of tens of thousands of new immigrants. There was certainly a pressing need, and a solution had to be found. With the benefit of hindsight, based on an analysis of what happened, it may be said that the formula selected was inadequate.

A Moshav is a complex and complicated undertaking. It is suitable only for people who are willing, ready and able to live according to this special and complex lifestyle, which requires of its members understanding, consensus and the willingness to accept the principles on which life in such a settlement is based.

The experience acquired in Israel with Moshavim and the resulting lessons derived from it can be of great value for the organization of traditional villages in Third World countries, and the development of co-operative systems using the stage-by-stage approach.

## Editor's Note

Zvi Galor was in charge of International Programs at International Institute-Histadrut.

Galor wrote this note to thousands of his former students and fellow co-operative researchers.)

Hello,

After 22 years working at the International Institute - Histadrut, of them 6 years as Academic Director of the Institute, I am now retiring.

I am proud to say that these 6 years saw an expansion of our training programmes, making the Institute one of the largest of its kind in the world, with 45 training programmes, in 5 languages every year. Graduates numbered 1,300 annually coming from 140 countries worldwide.

Please note that I am still available in the field of development, especially relating to cooperative training.

The fields I am offering my experience are:

- \* Co-operative Management and Financial Management;
- \* Co-operative Legislation;
- \* Self-Owned Economic Common Enterprises (S.E.CO); and
- \* Non-Agricultural Employment in Rural Areas (N.A.E.).

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I have had the privilege to impart my knowledge and experience with thousands of participants, and to have had working relations with hundreds of organizations.

I do hope to continue to have the pleasure to be in contact with you.

With my warmest regards

Zvi Galor