Types:

A co-operative industry can be of different types. Some are organised by producers, some by workers and some by the consumers themselves. Production activity on the part of the consumer co-operatives can hardly be found in India, though it is not uncommon in countries like U.K. or U.S.A. Cooperative production units belonging to the workers from the field are also in their initial stages in India. Such cooperative production units offer a group of workers an opportunity for self-employment. Producers' co-operatives are quite common in India. For the sake of convenience, a production unit belonging to the agriculturist is described as a processing society while the same unit when organised in any other manner - say by workers or consumers becomes an industrial co-operative.

Need for:

Real impetus to the co-operative form of organisation was given in India after the introduction of planning. Farmers growing sugarcane, cotton, jute, paddy, oil seeds, fruits and vegetables etc. have started organising their own processing and production units on co-operative lines.

Assam as revealed in our earlier discussion is predominantly an agricultural State comprising of small farmers.
Therefore, the co-operative form of organisation has been accepted as the most suitable form for helping the farmers to stand on their own feet.

The main objectives of establishing processing co-operatives is to give the major benefits of the processed products to the cultivators and not to the middlemen which is usually the case. The establishment of a network of processing societies or Mills in Assam, by and large could not practically secure these objectives although they opened a new era in the co-operative movement in the State.

The operation of co-operative Sugar Mills at Barua Bamungao opened up potentialities for the processing of other co-operatives like cotton, jute, paddy, oils vanaspati, fruits and solvent Extraction Plant.

Co-operative processing facilitates linkage to co-operative credit. It can also effectively undertake to recover the loans provided by the co-operative credit societies to the borrower for raising the agricultural crop for which processing facility is made available.

At the State Ministers' Conference held at New Delhi in April 1955, it was officially resolved that co-operative processing was to be an integral part of the programme for co-operative development. Accordingly, the State governments

1. A vanaspati unit has been set up under the Statfed near the Saraighat Bridge of the Brahmaputra with a capacity of 50 M.T. per day.
were required to take steps for the establishment of processing co-operatives.\textsuperscript{2}

The crop-wise co-operative processing units organised and installed as on 31st March, 1979 in Assam are given in Table 4.1.

\begin{center}
\bf Table 4.1
\end{center}

\begin{center}
Crop-wise Co-operative Processing Units in the State
\end{center}

\begin{center}
\begin{tabular}{llll}
Crop-wise co-operative processing units & Organised & Installed \\
\hline
1. Rice Mills & \ldots & 31 & 50 \\
2. Rice bran oil unit & \ldots & 1 & 1 \\
3. Sugar factories & \ldots & 1 & 1 \\
4. Jute Mills & \ldots & 2 & 1 \\
5. Fruits and vegetables & \ldots & 2 & 1 \\
6. Oil Mills & \ldots & 9 & 5 \\
7. Cold storage & \ldots & 1 & 1 \\
8. Tea & \ldots & 1 & 1 \\
9. Solvent Extraction Plant & \ldots & 1 & 1 \\
10. Jute bailing & \ldots & 19 & 11 \\
11. Distilleries & \ldots & 1 & 1 \\
\hline
 & & 69 & 54 \\
\end{tabular}
\end{center}


\textsuperscript{2} Kamat, G.S., 'Management of Co-operative Sugar Factories in Maharashtra', p. 11
Producer's marketing problem is rendered more easy through the transformation of their produce into a further consumable type. Apart from this, co-operative processing is one of the spring Boards for rural development in the sense that processing of other agricultural commodities, viz., Rice Mills, Cotton Mills, Oil Mills, Fruit-processing etc. can pave the way for the foundation of agricultural industry in the rural areas.

Role of Processing Co-operatives:

The processing of agricultural commodities or foodgrains is the most important stage in preparing them fit for ultimate consumption. It was during the Second Five Year Plan that development of co-operative processing was taken up on a planned and systematic manner as a necessary adjunct to activities of the co-operative marketing if cultivators were to get a better price for their produce.

Processing is, in fact, an integral part of marketing particularly in regard to cash-crops. As maintained by the Committee of Direction of the All India Rural Credit Survey (1951-52) in their Report, processing, storage, transport and marketing constitute together a sector for purpose of benefiting the cultivator, for evoking and marshalling his enthusiastic participation in agricultural development. The Committee considered this even more fundamental than provision of credit.³

Co-operative processing thus, becomes a pre-condition not only for a successful co-operative marketing but for successful co-operative agriculture also.

Almost all the agricultural commodities have to undergo one or more stages for processing before they reach the final consumer. For instance, paddy has to be husked before use; oilseeds, cotton seeds, mustard seeds require to be processed into oil; sugarcane has to be crushed and processed into sugar; cotton has to be processed and even spun into yarn.

These processes are invariably in the hands of the traders and businessmen who generally, not only charge excessively, but also adopt various malpractices which affect both the producers and consumers. The growers have no alternative but to depend on private enterprise for the disposal of their produce. Large processing units held by private enterprise are often in a position to dictate terms to the primary producer and to appropriate for themselves a good part of the price paid by the ultimate consumer for the finished products.\(^4\)

This can be eliminated if the processing activity is organised on a co-operative basis by the producers among themselves with the result that they can get better return for their produce. It is, therefore, in the interest of the producers to organise their own processing societies not only

to obtain a maximum share of the price paid by the consumer, but also to avoid various malpractices in the private processing plants.\textsuperscript{5}

In fact, the price spread between the producer and the consumer is sizable in the case of commodities which have to be processed before they reach the consumer. Consequently, successful handling of these commodities on a co-operative basis is generally not possible unless their processing is also undertaken by co-operative institutions. Co-operative processing units can effectively undertake to recover the loans provided by co-operative credit institutions for production of the relevant agricultural commodity. It can also have an impact on the growth and functioning of co-operatives which are essentially supply and distributive in character. So the functioning of such consumer institutions will be considerably facilitated if there is a large-scale development of co-operative processing activity and the co-operative processing units and the consumer institutions establish suitable points of contacts.\textsuperscript{6} According to Prof. Gadgil, co-operative processing besides strengthening the functions of agricultural credit and marketing system will provide a wide-base for rural industrialisation.\textsuperscript{7}

\textsuperscript{5} 'Co-operation at a Glance' (1968), p. 17, Government of India

\textsuperscript{6} Report of the Committee of the National Co-operative Development and Warehousing Board on Co-operative Processing, 1961, pp. 3-4

\textsuperscript{7} Gadgil, D.R., 'Planning and Economic Policy in India', 1972, p. 340
Co-operative processing units inject industries in rural areas in a decentralised and democratic form, involving bulk of the rural population in the process of socio-economic development of all classes. They create not only economic opportunities but also the much needed self-confidence in the farmers. This self-confidence is of utmost importance in building up new industrial and business leadership from the rural masses. When the farmers as a class feel confident of themselves, it is easier to carry out the goals set for the national economy. Besides, these co-operatives accelerate the rate of capital formation both at production and processing levels as a part of an inbuilt system and at the same time ensure automatic diffusion and dispersal of wealth.

Proper processing arrangements are very important in the development of co-operative marketing. In fact, the extent to which co-operative marketing can benefit the primary producer is substantially determined by the facilities which co-operatives can provide for the processing of produce before sale.

In the words of the Planning Commission, development of co-operative processing is essential not only for increasing rural incomes and facilitating credit for production but also for building up of a co-operative rural economy, where co-operative processing units have been successfully established, they have proved invaluable as instruments of development in

several allied fields.\(^9\)

In regard to agro-industries preference will continue to be given to co-operation in the matter of licencing and institutional financing.\(^{10}\)

Irrespective of their relative size, the industries based on agriculture have an important role to play in the national economy. In the developing countries, the export of agricultural raw materials is an important means of earning foreign exchange. In recent years, Iraq, Uganda, Tunisia, Costa Rica, are making considerable efforts to replace export of agricultural raw materials by processed products. Thus agricultural processing industries play a variety of roles in the national economy of different countries. In the developing nations, their role is mainly to put land to the best possible use, whereas in developing countries, they are an important element in the strategy for industrial development (Uganda, India) or for earning foreign exchange (Iraq, Uganda) or import stabilization (Japan) or creation of employment\(^{11}\) (Poland).

**Beginning of Processing Co-operatives:**

The beginning of agro-based co-operative processing industries in India dates back to 1917, when a co-operative

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10. Government of India, Planning Commission, Fourth Five Year Plan, p. 216
Cotton Ginning Unit was established in the Mysore State and in Gujarat in 1921 and for nearly four decades co-operative processing of cotton was more or less confined to the areas of Karnataka and Gujarat. The real beginning of co-operative processing societies in India was made only after 1950-51 with the establishment of Pravara Nagar Co-operative Sugar Factory in Maharashtra.

In Assam rural societies in Kamrup district had purchased an iron sugarcane crushing mill in 1913-14 and the experiment proved successful. However, the history of the agricultural processing co-operatives appreciably on a large-scale in Assam dates back to 1955 only when the Assam Co-operative Sugar Mills Ltd. was registered as a co-operative society on 26th March, 1955 under the industries (Development and Regulation Act) with authorised capital of Rs. 20 lakhs. The Sugar Mill actually started production on 8th December, 1958. It was followed by the Diphu Co-operative Cotton Ginning Mills Ltd. on 8.2.56.

Prior to the Second Plan, a few marketing societies took the initiative and set up processing co-operative units in Assam such as Rice and Oil Mills. These societies are (i) Darrang Marketing & Processing Society Ltd., (ii) Lenghin

Dokmoka Co-operative Marketing Society Ltd., (iii) Howraghat Tara-bassa Co-operative Marketing Society Ltd., (iv) Bordoloni Co-operative Marketing Society Ltd., (v) Lanka Co-operative Marketing Society Ltd., (vi) Rowta Co-operative Marketing Society Ltd. These societies set up the Mills with their own funds though some assistance was provided under the State Plan by the State government on an ad hoc basis. 15

It was virtually the beginning of the Second Plan in Assam when the processing of agricultural products in the co-operative sector gained impetus.

Apart from the Sugar Mills (1955) and Cotton Ginning Mills (1956), a fair amount of progress has been achieved in the field of some other agricultural processing co-operatives like the Jute Mills (1959), Khansari Unit (1968), paddy husking, Rice Mills, oil seeds processing, fruit-processing and Solvent Extraction Plant etc., the details of which will be discussed in subsequent chapters.

**Processing under Khadi & Village Industries Board:**

With the funds made available to the All India Khadi and Village Industries Board, the organisation of agro-based co-operative industries like paddy-husking, oil ghani and gur Khansari* was taken up for the year 1955-56 in 38 societies with 762 members and Rs. 8856.00 share capital and Rs. 40275.00


*Khansari - manufacture of molasses.
working capital and with a sale proceeds of Rs. 131614.00. By the end of 30th June, 1976, though 263 such societies came into existence, 251 societies are still dormant, the percentage of dormancy being 95 per cent. Their membership and share capital on 30th June, 1976 stood at 7450 and Rs. 96000.00 respectively.

In Assam, most of the processing of paddy, oil seeds are being carried on by the marketing societies, though as a subsidiary function. But the act of processing of paddy and oil seeds by the marketing societies has been a land mark in the history of co-operative movement in Assam since it has linked the growers with the ultimate consumer. Thus agricultural processing co-operatives have occupied an important place in the scheme of integrated credit as processing is a service ancillary to marketing.

The process of such processing industries from 1955-56 to 1979-80 getting assistance from the Khadi and Village Industries Board may be seen from the Table 4.2 given below.

### Table 4.2
Agro-processing societies under Khadi & Village Industries Board

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of societies</th>
<th>No. of members</th>
<th>Paid up share capital in Rs. lakh</th>
<th>Working capital in Rs. lakh</th>
<th>Goods sold in Rs. lakh</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-57</td>
<td>38</td>
<td>762</td>
<td>0.09</td>
<td>0.50</td>
<td>1.71</td>
</tr>
<tr>
<td>1960-61</td>
<td>304</td>
<td>9011</td>
<td>3.50</td>
<td>6.78</td>
<td>6.98</td>
</tr>
<tr>
<td>1961-62*</td>
<td>403</td>
<td>12332</td>
<td>5.23</td>
<td>11.16</td>
<td>5.23</td>
</tr>
<tr>
<td>1962-63</td>
<td>400</td>
<td>8410</td>
<td>0.82</td>
<td>4.53</td>
<td>8.46</td>
</tr>
<tr>
<td>1966-67</td>
<td>262</td>
<td>6962</td>
<td>0.91</td>
<td>3.31</td>
<td>N.A.</td>
</tr>
<tr>
<td>1967-68</td>
<td>274</td>
<td>7310</td>
<td>0.89</td>
<td>3.19</td>
<td>N.A.</td>
</tr>
<tr>
<td>1968-69</td>
<td>306</td>
<td>7531</td>
<td>1.02</td>
<td>3.62</td>
<td>N.A.</td>
</tr>
<tr>
<td>1969-70</td>
<td>279</td>
<td>7120</td>
<td>0.09</td>
<td>3.39</td>
<td>N.A.</td>
</tr>
<tr>
<td>1975-76</td>
<td>263</td>
<td>7430</td>
<td>0.96</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

*In the 1961-62 figures, Jute Mills and Rice Mills were also included.

Source: Annual Administrative Report for the respective year

From the figures in Table 4.2, it is seen that during 1961-62, the progress of the societies was good but it included the figures of Meghalaya State also. However, the working of the industries was not at all satisfactory.
Large-processing Co-operatives:

Among the large-scale processing units organised and functioning independently in the co-operative sector, the important agricultural processing co-operatives are the (i) The Assam Co-operative Sugar Mills Ltd. (1955) at Barua Bamunagaon; (ii) The Diphu Co-operative Cotton Ginning Mills Ltd. (1956) at Diphu; (iii) The Assam Co-operative Jute Mills Ltd. (1959) at Silghat; (iv) The Uttar Assam Samabai Chenikol Ltd. (1968) at Biswanath Charali.

Apart from these, three other co-operative Sugar Mills having 1250 M.T. crushing capacity were registered in 1975 under the following names and style - (1) The Dibrugarh Co-operative Sugar Mills Ltd., (2) The Kamrup Samabai Chenikol Ltd., (3) The Nowgaon Co-operative Sugar Mills Ltd. 17 During 1975-76, their activities were mainly confined to collection of share money.

Over and above these, the Barpeta Samabai Marapat Kol Ltd. was registered in 1975 and the North Assam Agro-Industries Co-operative Society Ltd. (A Solvent Extraction Plant based on rice-bran) was registered on 28.9.72 in the Darrang district with 20 M.T. capacity. In 1977-78, the latter society had 20 members with Rs. 13,61 thousand as share capital and Rs. 311 thousand as working capital. The society processed 250 M.T. of rice-bran (as trial) with a sale proceeds 18 of Rs. 167000.00.

18. Department of Co-operation, Basic data relating to co-operative movement in Assam for 1977-78, p. 4
Processing Activity by Marketing Society:

During the Second Plan, Rice Mills and Oil Mills were set up as an adjunct to marketing co-operative societies as a subsidiary function. Twenty-nine marketing societies undertook processing activities. Of these seven marketing societies, namely, (i) The Darrang Marketing & Processing Co-operative Society Ltd., (ii) The Rowta Marketing Co-operative Society Ltd., (iii) The Sekhar Majikuchi Co-operative Marketing Society Ltd., (iv) The Titabar Co-operative Marketing Society Ltd., (v) The Lanka Co-operative Marketing Society Ltd., (vi) The Langhin Dokmoka Co-operative Marketing Society Ltd., and (vii) The Bihpuria Co-operative Marketing Society Ltd. have possessed both Rice and Oil Mills.

In respect of fruit-processing, the Howley Marketing Co-operative Society Ltd. undertook processing of fruits and vegetables since 1962 as a subsidiary function on a small-scale. Another fruit processing society under the name and style "Fulertal Agricultural Products Processing and Marketing Co-operatives Ltd. in Cachar district has been registered in 1969-70 with a capacity of 200 tonnes of pineapple and oranges on a single shift basis.

Besides, the remaining 21 Rice Mills, 4 other Rice Mills at Dobaka, and Haiborgaon in Nowgong district, Tamulpur in Kamrup district and another at DAVangiri in Goalpara district are managed and run by the Assam State Co-operative Marketing and Consumers' Federation Ltd. (STATFED) independently. The installed capacity of each Rice Mill is one tonne per day.
per shift of 8 hours.

The government provided financial assistance of Rs. 57.79 lakhs to 31 Mills for paddy processing; Rs. 2.20 lakhs to fruit-processing; Rs. 12.50 lakhs for par boiling plant; Rs. 8.00 lakhs for mechanical dryer and Rs. 6.93 lakhs for Oil Mills. During 1975-76, the Rice Mills processed 25257 tonnes of paddy and the resultant rice were delivered to the State Marketing and consumers' federation. The Rice Mills received only the milling charges. During 1975-76, 920 tonnes of mustard seeds and 20 tonnes of fruits were processed by the Oil Mills and the fruit-processing units.19

Present Position:

Most of the agricultural processing co-operatives in Assam have not gone beyond the first stage of processing or primary processing. The utilisation of by-product or more sophisticated treatment of main products which might be called secondary processing have not yet been taken up except by the Assam Co-operative Sugar Mill Ltd., which has started a distillery unit and functioned since September, 1969, and the North-Assam Agro-Industries Co-operative Society Ltd. in Darrang district for a solvent Extraction Plant based on rice-bran. All these societies shall be studied in subsequent chapters. However, what is needed is co-ordination in activities of these different sectors of the co-operative

movement in these tracts in such a way that the foundations of agricultural industry are strengthened, so that co-operative processing industry becomes a spring board for rural development which is also an essential pre-requisite for industrial growth.  