Chapter I

INTRODUCTION

Agriculture in the economy of the State:

'Men will not make effort unless the fruits of that effort is assured to themselves or to those whose claims they recognise.' Further, 'men will work all the more if their work is creative, if it serves social ends that they value, and if it is recognised; but they will also work the less if the material reward is withheld.' This investigation aims to find out how far the Agricultural Processing Co-operatives in Assam have been able to inspire the agriculturists for which they were started.

Assam in spite of her rich, fertile soil, abundant rainfall, various crops, and forests, crude oil, natural gas, coal and lime, presents a paradoxical picture of backwardness in the midst of plenty. The problem of developing an underdeveloped and a languished economy like that of Assam is one of utilising more effectively the potential resources available to the community. The economy of Assam remains predominantly agrarian. As per economic classification, of the total population of the State in 1971, about 27.96 per cent are workers, and of this total number of workers, again, 55.86 per cent are cultivators and 9.92 per cent are

2. Ibid., p. 58
agricultural labourers. Similarly, of the total area of 7852300 hectares of the State in 1971, the total cropped area was 2793205 hectares (35.5 per cent) in 1970-71, 2888827 hectares (36.7 per cent) in 1971-72, 3019514 hectares (38.4 per cent) in 1972-73, 3076232 hectares (39.1 per cent) in 1973-74, and 3103904 hectares (39.5 per cent) in 1974-75.

Of this total cropped area in Assam from 1970-71 to 1974-75, the area under principal crops for the same period, as may be seen from Table 1.1, reveals that an average of 79.4 per cent area is under the principal crops:

| Table 1.1 |
|---|---|---|---|---|---|
| **Area under Principal Crops in Assam** |
| **in '000 hectares** |
| 1. Rice | 1974.3 | 1961.3 | 2035.6 | 2096.5 | 2107.5 |
| 2. Oil seeds | 149.9 | 159.1 | 158.4 | 169.8 | 163.9 |
| 3. Jute | 128.0 | 133.9 | 127.8 | 146.9 | 112.6 |
| 4. Cotton | 4.1 | 5.0 | 4.1 | 3.6 | 3.3 |
| 5. Sugarcane | 32.0 | 35.6 | 33.3 | 37.1 | 42.3 |
| Total area | 2288.3 | 2294.9 | 2359.2 | 2453.9 | 2429.6 |

%(percentage) of total cropped area

| 81.8% | 79.4% | 78.1% | 79.7% | 78.3% |

Source: Statistical Abstract Assam, 1978, p. 75
Similarly, the production of principal crops, as may be seen from Table 1.2, from the year 1970-71 to 1974-75 and the percentage of contribution from agriculture to the State economy (57.4 in 1970-71, 56.9 in 1971-72, 57.3 in 1972-73, 58.8 in 1973-74 and 59.4 in 1974-75) at current prices clearly reflect the agrarian nature and importance of agriculture to the economy of the State.

Table 1.2
Production of Principal Crops in Assam From 1970-71 to 1974-75
(Production in '000 tons)

<table>
<thead>
<tr>
<th>Year</th>
<th>Rice</th>
<th>Oil seeds</th>
<th>Jute</th>
<th>Cotton</th>
<th>Sugarcane</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>1986.8</td>
<td>56.4</td>
<td>928.0</td>
<td>1.6</td>
<td>125.5</td>
</tr>
<tr>
<td>1971-72</td>
<td>1894.5</td>
<td>67.7</td>
<td>1063.7</td>
<td>2.0</td>
<td>116.4</td>
</tr>
<tr>
<td>1972-73</td>
<td>2127.4</td>
<td>57.5</td>
<td>961.8</td>
<td>1.7</td>
<td>133.1</td>
</tr>
<tr>
<td>1973-74</td>
<td>2085.4</td>
<td>80.9</td>
<td>1120.7</td>
<td>1.5</td>
<td>140.2</td>
</tr>
<tr>
<td>1974-75</td>
<td>2052.1</td>
<td>56.7</td>
<td>769.0</td>
<td>1.4</td>
<td>158.4</td>
</tr>
<tr>
<td>Average of 5 years</td>
<td>2029.2</td>
<td>63.8</td>
<td>968.7</td>
<td>1.6</td>
<td>134.7</td>
</tr>
</tbody>
</table>

Source: Statistical Abstract Assam 1978, pp. 76-80

The significance of agriculture arises also from the fact that the development of agriculture is an essential condition for development of the State economy. Ragnar

Nurkse argued that surplus population in agriculture should be removed and used in the newly started industries. In that case agricultural productivity will be increased on the one hand and, on the other, new industrial units would be set-up with the use of surplus labour.7

Apart from these, the importance of agriculture arises from the fact that it has been the source of supply of raw materials to many industries in the country like cotton, jute, textile industries, sugar industries, vanaspati, plantation industries. All these depend directly on agriculture. There are many other agro-based industries which depend on agriculture in an indirect manner. Many of our small-scale and cottage industries like handloom weaving, oil crushing, paddy husking, depend upon agriculture for their raw-materials.

**Need for processing:**

Processing is a stage through which some of the commodities have to pass before those are used for consumption. It is a well-known fact that every agricultural crop undergoes some kind of processing before it is marketed. Processing of foodgrains and other agricultural crop is the most important stage in preparing them fit for ultimate consumption. Thus it means cleaning, grading, transforming of the crops into consumable form such as paddy into rice, oil seeds into oil,

jute into jute products like twine, sack, cotton seeds into
ginned and pressed cotton, and sugarcane into sugar, tea etc.
Of course, the manner of processing differs from commodity to
commodity and it is carried to different levels depending
upon variety of factors like farmer's knowledge, finance,
equipment available for the purpose of processing and the
nature of demand for the goods.

But these processes are done by a class of middle-men
like traders and businessmen, who clean, grade and transform
agricultural commodities into consumable form and charge
excessive price from the consumers for the same produce and
also indulge in various kinds of malpractices in their dealings
with the producers and consumers and, as a consequence, the
farmers are deprived of the actual price for their produce. So
the need for processing of agricultural commodity by the farmers
themselves is just to reduce the price spread between the
producer and the consumer and thereby ensure for themselves
their legitimate share in the final price paid by the consumer
of agricultural crops.

Scope of Processing Co-operatives:

Processing, however, involves expert knowledge, heavy
financing, equipment for the purpose of processing and full-
time attention. The traders and businessmen carry out these
functions and receive better prices for the same kind of
produce. The farmers with their limited resources, lack of
knowledge in the technique of processing, and also lack of sufficient time at their disposal can hardly manage to look into these functions individually. As such they must pool their limited resources, knowledge and time and take up the functions of processing like cleaning, grading and transforming agricultural commodity into consumable form on co-operative basis. The act of processing on co-operative basis will have an impact on the growth and functioning of consumers' co-operative organisations which can undertake marketing of finished products of processing societies. The main objectives of organising Agricultural Processing Co-operatives is to give the major benefit of the processed product to the farmers - the benefit which is normally being enjoyed by the middlemen. The establishment of Co-operative Sugar Processing factories in Maharashtra has, by and large, secured these objectives and has thus ushered in a new era in the co-operative movement.

The Conference in Marketing and Co-operation (1956) held at Jaipur recommended that processing was an important adjunct to marketing. Co-operative Processing Societies should be organised for which block capital should be contributed by the government, and the Industrial Finance Corporation and loans should be made available by the Co-operative Banks.

The Rural Credit Survey Committee (1954) also stressed the need for Promoting Co-operative Processing on the basis of State partnership which will involve the provision by it of financial, technical and administrative assistance.

The third All India Co-operative Conference (1958) also resolved that 'the establishment of Co-operative Processing should receive urgent attention of co-operators as well as of government. All future licensing, i.e., in respect of Rice Mills and Oil Mills, should, as far as possible, be given only in favour of co-operatives as has already been done in respect of sugar factories, and where it is the policy of the government not to issue any further licenses, the expansion of co-operative processing should be ensured either by transforming units into co-operatives, or by other means, such as, issue of special licenses. In a country whose economic structure has its roots in the villages, co-operation is something more than a series of activities organised on co-operative lines; basically its purpose is to evolve a system of co-operative community organisation which touches upon all aspects of life.\(^\text{11}\)

\[^{11}\text{Second Five Year Plan, p. 223}\]

**Processing with Marketing, Credit and Consumers' Co-operatives:**

Co-operative processing is an indispensable part of co-operative marketing, particularly in regard to cash crops. One of the reasons why co-operative marketing has made only a
limited impact, is the fact that, processing of agricultural produce on a substantial scale has not yet been developed within the co-operative sector. 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. In fact, successful handling of these commodities on a co-operative basis is generally not possible, unless their processing is also undertaken by co-operative institutions.

There is a frequent reference to the need for linking of co-operative credit with co-operative marketing. In fact, linking of co-operative credit and processing is equally important, because, well-organised co-operative processing unit can effectively recover the loans provided by co-operative credit institutions for the production of relevant agricultural commodity. This has been tried with a large measure of success in the case of co-operative sugar factories in Maharashtra, where co-operative sugar factories are recovering loans advanced by the Primary Credit Societies for raising of sugarcane crop.12

Similarly, co-operative processing can serve a very useful purpose in the functioning of consumer co-operatives. Under planned economic development, where consumer co-operatives are also assigned a certain role, a link between the processing societies and the supply and distribution

societies can go a long way in serving the desired purpose.
The distribution of sugar, produced by co-operative sugar factories, has been entrusted to co-operative supply agencies and this has been to the mutual benefit of co-operative processing organisation and the co-operative supply institutions. The functioning of consumer co-operatives will be greatly facilitated if there is a large scale development of Agricultural Processing Co-operatives.

Processing for Socio-economic Changes:

Co-operative processing industries have proved to be an effective instrument of socio-economic change of the areas in which these are located. They have facilitated the use of modern technological change in agriculture; they have provided not only various economic opportunities, but have also helped in creating a class of entrepreneurs from amongst the farmers. It has also accelerated the rate of capital formation in agriculture both at production and processing stages. The successful agricultural processing co-operatives in sugar, cotton, oil seeds etc. in the rural areas have everywhere led to developments in the allied fields, such as transport, insurance, etc. on co-operative basis.

General Plan of the Study:

In view of the above significant considerations, 'Study of Agricultural Processing Co-operatives in Assam' has
been taken up. The Agricultural Processing Co-operatives under this study covers the production units belonging to the farmers in the State which were organised during the Plan period such as Sugar Mills, Jute Mills, Cotton Ginning Mills, Fruit-processing unit, Rice Mills, Oil Mills, and Solvent Extraction Plants, etc.

The study begins with the 'Structure of Assam’s Economy' in the second chapter as a background study. The structure of the States economy in respect of its population, both rural and urban, sex-ratio, literacy, percentage of workers engaged in agriculture, total cropped area under agriculture, production of principal crops, their yield rate, rural indebtedness, industrial development, unemployment, contribution of agriculture to State economy etc. has been studied to highlight the agrarian character of the State and the need for the study of the agricultural sector as such.

As the study relates to Agricultural Processing in the co-operative sector, the growth of co-operative societies in general, and credit and non-credit, in particular, in the State with references to their growth and composition of members, share capital, working capital, loans outstanding, loans overdue in comparison to India as a whole have also been discussed in brief in the third chapter. In the fourth chapter the role of the processing co-operatives in Assam and

13. The Agricultural Processing Co-operatives in Assam - first of its kind was the 'Assam Co-operative Sugar Mills Ltd., registered on 26th March, 1955.
their beginning have been traced back. In the subsequent few chapters, the individual processing units, viz., Sugar Mills, Khansari unit, Jute Mills, Cotton Ginning and Processing unit, Fruit-processing unit, Solvent Extraction Plant have been discussed separately with individual background: objectives, their growth and composition of members, share capital structure, loans and interest, supply of raw-materials, working of their factories with references to their quantity of raw-materials processed, quantity of processed goods received, net working days, percentage of recovery, profitability, utilisation of by-product, generation of employment and also the nature of management.

Rice Mills and Oil Mills are functioning practically as adjunct to marketing societies and as such they have been discussed in two separate chapters. In another chapter - the problems of management of co-operative societies in general from the point of view of the relevant Acts, Rules and bye-laws, which needs rethinking of all concerned, and also the actual managerial in-built weaknesses in the Agricultural Processing Co-operatives in the State have been traced and focused - weaknesses which have made those societies unviable to a considerable extent. In the last chapter the findings of the Processing Co-operatives in the State from various convenient aspects have been summarised along with certain suggestions made earlier at appropriate places in the preceding chapters.
Sources of data, methodology and their reliability:

The source materials of the thesis are based on both secondary and primary data. Secondary data are collected from standard published books, government reports - both Central and State, reports of various committees set-up by government, Annual Administrative Reports of the department of Co-operation, and journals - the lists have been shown in the bibliography at the end of the thesis.

Primary data are collected by the researcher himself by physical survey of the Processing units through a structured questionnaire and unstructured interviews of the Secretaries, Chairmen, Managing Directors, employees, workers and other concerned members. A set of structured questionnaire used for the purpose is given in Appendix I. Primary data are recorded as correctly as possible. Whenever any doubt arose, immediate clarification was sought directly as well as through the office of the Registrar of Co-operative Societies, Assam, Gauhati. And hence, the data are fairly accurate and reliable. Data have been processed, recorded in tabular forms, explained and analysed and represented through statistical tables, charts and bars.

Significance of the Study:

The present study in the field of processing co-operatives in the State is of pioneering nature. Processing co-operatives in Assam begins with the registration of Assam
Co-operative Sugar Mills Ltd. at Barua Bamungaon, in the district of Sibsagar, on 26th March, 1955 although it started actual operation on 8.12.58, whereas, in Maharashtra Processing Co-operatives began with the Pravaranagar Sugar Factory in 1950. Societies of small and cottage industries did exist here and there earlier but they were scarcely of any material significance in the growth of co-operative industry in Maharashtra.\(^{14}\)

The study reveals that in the composition of membership of the Agricultural Processing Co-operatives in Assam, although growers constitute the majority of members, the bulk of the share capital is held by the State government apart from its various kinds of loans, and subsidy for block capital. From unstructured interviews, it was made known to us that with more capital the societies could function better. In fact, capital can never be a major problem of the processing units in Assam, if the management sincerely adheres to the objectives to be pursued. It will not be able to fulfil the objectives unless the management pays legitimate attention to the management aspect of the organisation because an ideal co-operative is one in which the highest public good is combined with the highest types of skilled management without merely any profit-making motive.

The study also reveals that raw-material is not a major problem since the Jute Mills at Silghat uses even less

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than 2 per cent of the jute produced in the State. Raw-materials are either locally available sufficiently or there is sufficient scope to make those available at least to feed the installed capacity of the existing processing units. Raw-materials can, further, be increased even in existing available land by technological breakthrough in agriculture. In fact, there is comparative need of technological breakthrough in agriculture since 'the more rapid growth of output in recent years is associated obviously with more rapid accumulations and application of knowledge in production.'

In Assam, except in the case of Sugar Mills, there is no definite plan and policy in procuring raw-materials pursued by other independent processing units to feed the factories regularly. It is for this also that processing societies are not in a position to utilise the installed capacity of their factories.

Another important problem of the Agricultural Processing Co-operatives in Assam is the lack of any marketing policy for the processed products. Unless the societies have a definite marketing policy for the processed products, the unit can never be viable. For all these, the management must be improved. The management must be prepared to manage those as business units like those in private sector. Therefore, the need is to provide stimuli of Managerial and Entrepreneurial efficiency in

co-operation. The Chief-Executive of the existing processing co-operatives should be properly trained in relevant processing products, or, for that matter, they should be replaced by professional managers in all processing units.

It is, therefore, hoped that the findings and suggestions made in the last chapter along with some other suggestions made at relevant places in other chapters will be useful to the planners, government, co-operatives leaders and members of the societies, in general, and the members of the Board of Management in particular, and we must see to it that Agricultural Processing Co-operatives can be useful to the farmers of the State for which those have been organised.