Chapter - II

Agricultural Marketing Co-operative Societies

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Chapter - II

Agricultural Marketing Co-operative Societies

This chapter is devoted to the consideration of the working of Agricultural Marketing Co-operative Society. The researcher has given an introduction to the co-operative movement and analysed the working system of co-operative societies. Various aspects of the process are discussed with reference to the working system.

2.1 Organization & Registration of Agricultural Marketing Co-operative Societies:

At the very outset, it is necessary to understand the concept of co-operation and the salient features of a co-operative society, therefore the researcher has in this section defined the term ‘co-operation’ with the help of the writings of eminent scholars and outlined the general characteristics of co-operation.

Co-operative marketing is the system by which a group of farmers join together to carry on some or all the processes involved in bringing goods from the producer to the consumer. The Reserve Bank of India defines it, “Marketing society is a co-operative association of cultivators formed primarily for the purpose of helping the members to market their produce more profitably than is
possible through private trade."

Objectives

Co-operative marketing of agricultural produce is necessary not only for stabilizing marketing conditions by means of orderly and regulated supply of commodities but also for improving bargaining power. According to an FAO publication, "The aim of every marketing co-operative society is:

1. To sell the members' product directly in the best market and in a state which attracts the best price.
2. To help the members to produce the best products and those that are most in demand.
3. To give fair weight.
4. To grade the produce in such a way that best price is obtained for all qualities, to the advantage of the grower.
5. To handle the crop cleanly without damage or waste in a way that will increase, not decrease, its-value.
6. To provide fair trading practice and to use its influence against rings and manipulations of prices.
7. By advances on fair terms, to help the member to finance himself while he is waiting for his crop to ripe.
8. To give a farmer a better understanding of all stages in marketing process."
Co-operative Marketing Structure

In most of the states, there is a two-tier structure of co-operative marketing with primary marketing societies at the level of secondary marketing and apex marketing federation at the state level. However, in some states like Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Maharashtra, Punjab and U.P., there is also an intermediate tier at the district level mainly as a legacy of the past.  

Primary Marketing Societies

Co-operative marketing has a pyramidal structure. At the base, there are the primary marketing societies consisting of agricultural purchase and sale and production and sale societies and the primary non-agricultural purchase and sale and production and sale societies. Their area of operation may roughly correspond to a taluca. They buy and sell agricultural commodities and various other goods for the benefit of their members.

Such societies may either deal in a single commodity or in many commodities together. The most important purpose co-operative marketing societies in U.P. and Bihar are those dealing with sugarcane. In other states of India, they deal in more than one commodity. For example, in Gujarat these societies deal with cotton and fruits, in Karnataka with spices, coneev paddy, oilseeds, tamarind, jaggery, chillies and cotton. In Punjab, they ‘deal with wheat, oilseeds, gur, cotton, paddy, jute and gram. In West Bengal, paddy, jute,
cardamom and coconut are dealt with. In Kerala they deal with honey, orange and cardamom and in Jammu and Kashmir with ghee, pulses, fruits and walnuts. In Tamil Nadu, they deal with groundnuts, paddy, cotton and potatoes. In Maharashtra, they deal in chillies, oilseeds, jowar, cotton, fruits, tobacco and vegetables.

These societies collect, grade, standardise and make arrangements for the sale of produce of their members and also give advance loans to the members against the goods produced. The multipurpose societies are now becoming popular: They also do the work of buying and selling agricultural and other produce in addition to the provision of short-term finance and supply of agricultural and domestic requisites of their members.

Central Marketing Societies

There are the District Central Marketing societies above these primary societies which generally operate over a part or an entire district. They do the work of buying and selling and extend credit and other help to the primary societies. These-societies generally purchase and sell food-grains, jaggery, cotton and oilseeds in Gujarat and Maharashtra. They distribute chemical fertilizers and oil cakes to the agriculturists through primary marketing societies. In Tamil Nadu, their membership consists of individuals and co-operative societies. These societies became very active during the Second War period but with the
withdrawal of controls, however, their work has been reduced.

State Marketing Societies

At the top of these are the State Marketing Societies of Federations which are intended to serve as apex institutions for all co-operative marketing societies operating in a state. They do the work of buying and selling and give credit and other facilities to the central societies and to primary societies. These societies are mainly engaged in wholesale or monopoly distribution of chemical fertilizers, controlled commodities (like iron, steel and cement), consumer goods (like sugar, wheat, kerosene, coffee seeds, rice, milk powder) and agricultural implements and insecticides. They co-ordinate the work of co-operative marketing. Their membership consists of the individuals and the societies. Such societies have been established in a few states and their work is limited in scope and is not commensurate with the needs of co-operative marketing in India.

At the All India level there is National Agricultural Co-operative Marketing Federation (NAFED) set up during 1958-59 with the main objective of co-ordinating and promoting the marketing and trading activities of its members in agricultural and other commodities. Its other objectives are to:

(i) Make arrangements for the supply of agricultural requirements to its members;
(ii) To take up procurement of wheat, pulses required for public distribution system in deficit areas in collaboration with S.F.C.

(iii) To promote inter-state and international trade in agricultural and other commodities. Its area of operation extends to all the states.

On 30th June 1975, there were 3127 primary marketing societies covering nearly all the important secondary markets in the country. Of these 2370 were state partnered.

Besides, there were 25 state level co-operative marketing federations, including those in Mizoram, Arunachal Pradesh, and Lakshadweep; and 170 district regional marketing societies excluding 506 sugarcane supply societies (cane unions) in U.P. (134) and Bihar (72). In addition, there were at the state level, 7 commodity co-operative marketing federations viz., 2 for fruits and vegetables in Delhi and Gujarat, 1 for cotton in Gujarat, 1 for sugarcane supply in U.P. and 3 other specialised commodities.

Tribal co-operative development corporation federations have also been established in M.P., Andhra Pradesh, Orissa, Bihar, Rajasthan, Maharashtra and West Bengal. The tribal co-operatives at the primary level are affiliated to these federations.³

The co-operative marketing structure is thus complete. No new societies are being organised except in tribal areas which were either uncovered earlier or where re-organisation of societies has been taken up on the recommendation
of Bawa Committee. New societies are being organised in areas where new secondary markets are coming up which cannot be covered by the existing societies for handling certain specialised commodities like fruits, vegetables, plantation, crops etc. The main emphasis has been, during the Fifth Five Year Plan, on the consolidation and strengthening of the existing structure and on developing co-operative marketing for balanced regional development. Accordingly, the co-operative marketing, processing, storage and supplies in co-operatively under-developed state (comprising Assam, Bihar, Orissa, Rajasthan, West Bengal, Manipur, Jammu & Kashmir, Meghalaya, and many Union Territories) are being set up. For this purpose, the Government of India has channelized funds through the Corporation to assist the state governments for strengthening the share capital base of selected co-operative marketing societies in these areas so as to enable them to improve and expand their business activities in marketing of agricultural minor forest produce, distribution of agricultural inputs and supply of consumer articles in rural areas. The Corporation sanctioned a sum of Rs. 56 lakhs to 163 Co-operative marketing societies, towards the share capital assistance upto 1976-77.

The Co-operatives handled agricultural produce to the value of Rs. 1190 crores in 1976-77 as against Rs. 1564 crores in 1975-76. This decline in the value was due to the fact that during rabbi harvest of 1977, the Government removed the zonal restrictions on the movement of wheat and other foodgrains.
As a result, the co-operatives' share in procurement of wheat in U.P., Gujarat and Maharashtra declined further, the Commodity Corporation did not mostly utilise the services of co-operatives in the procurement operations such as cotton. Likewise, the share of co-operatives in the marketing of sugarcane declined mainly due to the diversion of cane to khandsari as also on account of drought conditions in certain areas. ⁴

**Definition of the term Co-operation:**

A Co-operative establishment is a community organization. The word 'Co-operation' literally means 'working together'.

Co-operation has been defined by H. Calvert⁶ as "a form of organisation in which persons voluntarily associate together as human beings on the basis of equality for the promotion the economic interests of themselves. "Voluntary membership is the main ingredient of co-operative society. Nobody is compelled to become a member or to resign the membership. All the members of the society have equal rights. Thus each member is offered equal opportunity to participate in the management by all the members on the principle of 'each for all and all for each.'

V.L.Mehta⁶ defines co-operation as, "One aspect of vast movement which promotes the voluntary association of individuals having common economic needs towards the achievement of the common economic end they have in view..."
and who bring into this a moral effort and progressively developing realisation of moral obligations.”

According to Dr. Philips\(^7\) “The co-operative association is an association of firms or households for business purposes- an economic institution through which economic activity is conducted in the pursuit of economic objectives.”

Co-operation is similar to other forms of enterprise in so far as it also aims at doing business an efficiently too. It also combines in itself the good points of capitalistic as well as socialistic forms of organization. A co-operative society enables the members to put in their best to attain higher standards of living for themselves without, in any way, exploiting others. It honours human values and also provides incentives.

Mr. Herrick\(^8\) defines co-operative society as, “It is the act of persons voluntarily united, of utilising reciprocally their own forces, resources or both under their mutual management to their common profit or loss.”

The Indian co-operative societies Act\(^9\) 1912 defines co-operatives as, “a society which has its objective the promotion of economic and social reforms brought in practice first in some of the European countries, more than a century ago and when it was realised that it is very useful in solving many economic problems each country established co-operative societies according to their requirements.”
It is the system in which the groups of farmers combine together to complete processes through which goods can be reached from producers to consumers.

1) According to Margaret Digby

"A co-operative marketing is the system by which a group of farmers or market gardeners join together to carry on some or all processes involved in bringing goods from the producer to consumer."

After studying all these above definition, we can conclude that it is voluntary association of cultivators formed primarily for the purpose of helping the members to market their produce more profitably and to carry on the processes involved in bringing goods from producers to consumer and to protect maximum interests of cultivators.”

2) According to Reserve Bank of India

"Co-operative marketing is a co-operative association of cultivators formed primarily to market their produce more profitably for the purpose of helping the members to market their produce more profitably than is possible through the private trade.

Thus, co-operative society is an association of the weak who gather together for a common economic need and try to lift themselves from weakness into strength through business organisation. The essence of all the above definitions is that it is a voluntary association created by the people who are
economically weak to help themselves without any profit motive. The salient features of the co-operative organization can be outlined as follows:

A. Voluntary Association: In the first place, a “Co-operative Association” is a fall in or to fall out. No one is compelled to join a Co-operative Society, nor is its membership closed afterwards. It also allows full freedom to leave the institution in case a member chooses to do so. It is the existence of common economic need, which is the sole associating factor, and there is complete freedom to the individual to determine with whom and till when he should associate. But this does not mean that only so long as a man is benefited he remains a member, and as soon as he feels he can derive no further benefit from the association he cancels his membership. Such selfish association is thus Co-operation. There is an undertaking to overcome their individual weakness by pooling their resources and helping one another and, therefore, those who do not for the present stand in need of help or those who were helped in the past, help those who at once stand in need of it.

B. Democratic Administration: Democratic administration controls the exploitation of ‘man by man’. There can be no misuse of power. It creates faith; it creates honest dealings; it ensures just treatment all which is so very essential for the existence of a successful Co-operative Association.

C. Self-help through mutual-help: The members combine to promote the economic interests of themselves and not of anybody else. They are for the
society and the society is for helping them. 'Self-help through mutual help', is their guiding principle. Because of the weaknesses of the associating individuals, each one could not do without the help of others and as it is not all the members who require help at the same time, therefore, each one in need is helped cooperatively by all those who do not for the time being stand in need of help.

D. Common Welfare through Common Action: Efforts directed towards seeking self-interest not of selfishness do not find a place in a Co-operative organization. A Co-operative Association is not an own objective at the cost of others. Individualism or the spirit 'Each for himself', which gives rise to competition, does not exist in a co-operative set up.

E. Spirit of Service: Co-operation is not simply a movement for economic betterment but of Co-operative action.

Whatever form of organisation may be, it may be a sole trading concern or a partnership or a joint stock company- the main aim of every organisation is to make maximum profits. Earning maximum profits and accumulation of wealth is by no means possible without exploiting weaker sections of the community, particularly in a capitalistic setup. Therefore, it is necessary to have such an organisation, which will protect the interest of the weaker sections of the society. As a result of industrial revolution capitalists concentrated economic power in their hands and started to exploit labour, consumers and small traders. They were haunted with the motive of maximization of profits and did not give slightest
Features of Marketing Co-operatives

1. Voluntary Association of Farmers
2. Marketing of Agricultural Produce
3. Providing Information and other facilities
4. Democratic Management
5. Federal Structure
6. Capital Raising
7. Increase in bargaining power of members
8. Linking of credit with marketing
9. Maintains fair trade practices
10. Storage facilities
11. Help Government in procurement of foodgrain

Source: Co-operation, Text Book of Std. XI, HSC Board, Maharashtra State, Pp 89.
thought to the well being of the consumers and labour. Therefore, a strong need 
was felt to get rid from the clutches of the capitalists. However, it was not possible 
for an individual to fight against them at any level. As such the weaker section of 
the society started realising the importance of unity, co-operation. They realised 
that ‘united we stand and divided we fall’. From this feeling the co-operative 
form of organisation came into existence. Its fundamental objective is not to 
make profit but render services to its members. It is organised to serve the 
common man and liberate him from the exploitation of the economically strong 
classes of people and organisations.

The prime motto of the co-operative society is ‘service and not profit’. 
Co-operative society is an organisation or association of economically weak 
persons. They come together for the promotion of their common economic 
interests. They form the association on the basis of equality i.e. all the members 
of the society get equal rights. As a matter of form the spirit of co-operation 
exists in mankind as a natural instinct, as man is a social animal. The co­
operative society gives way to this instinct for the common good of the society.

Co-operation acts as a balancing factor among private and public sector. 
It is said to be “a double edged axe, which at the same time hits at the dead 
abstractions of the socialistic state and at the sterility of individualism.”

The Need for Registration Under the Law

After satisfying themselves about the chances of success of a marketing
co-operative proposed to be established, the next step is for organizer or the
promoters to draw up a set of bye-laws defining the objects of the association,
the sources from which capital is to be raised, persons to be admitted to
membership etc. Occasionally, the bye-laws may also provide for disqualifications
for membership. The duties and rights of the managing committee, the functions
and powers of the general meeting, the staff to be appointed and their duties
and responsibilities, the distribution of profits and building up of reserves and
matters which normally find place in the bye laws. As a co-operative is not a
capitalistic concern, shares are subscribed by all the members in the same
value, and it is normally provided in the bye-laws that no member may hold
shares exceeding a certain amount subject to an overall limit of one - fifty of the
total share capital of the society. In addition to contributing to the share capital,
it is common for members to give an undertaking to deliver their all marketing
surplus to the society. This obligation is normally included in the bye-laws and
if a member fails to honour his obligations he agrees to pay a penalty also
which is seldom enforced by marketing co-operatives in India. After carefully
drawing up the bye-laws which have to be in conformity with the Act and the
Rules, an application to register the society has to be made to the registrar or
his deputy by at least ten persons who are at the age of maturity. After registration
the society becomes a body corporate with a perpetual succession and a
common seal. This is important because it enables a co-operative to enter into

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contracts in its own name, to buy and sell, invest money own property and sue and be used in its own name and not the names of all the members whose number may often run in to hundreds or even thousands.11

2.2 Agricultural Crops and Produce & Agricultural Marketing Co-op. Societies:

Agricultural Marketing plays an important role in accelerating the pace of economic development in addition to stimulating production and consumption. Its dynamic functions are of primary importance in both agricultural and economic development. As such marketing has been described as the most important multiplier of agricultural development.

Marketing is a complex subject. Marketing connotes a series of activities involved in moving goods from the point of production to the point of consumption. Agricultural marketing is the study of all the activities, agencies and policies involved in the procurement of farm inputs by the farmers and the movement of agricultural products from the farms to the consumers. Thus, Agricultural marketing system is a link between farm and non-farm sectors. All the groups of persons associated with agricultural marketing are interested in having an efficient marketing system. Therefore, the study of the performance of Agricultural Marketing Co-operative Societies is very significant.
An efficient marketing system is an effective agent of change and an important means for raising the income levels of farmers and satisfaction of the consumers. The movement of goods from producers to consumers at the lowest possible cost, consistent with the provision of services desired by the consumers, may be termed as efficient marketing. An efficient marketing system for farm products ensures an increase in the farm production gets translated into an increase in the level of income and thereby stimulating the emergence of additional income. Consumers derive the greatest possible satisfaction when goods are available at the least possible cost. Hence, the study of the performance of Agricultural Marketing Co-operative Societies assumes greater importance in the recent times.

The ideal marketing system should aim at giving remunerative prices of produce to producers and uninterrupted supply of goods to the consumers at reasonable prices and accumulation of surplus for further economic development. Therefore the study of the performance of Agricultural Marketing Co-operative Societies becomes all the more significant.

The importance of agricultural marketing in economic development is also evident from the following facts:

i. A specialized market place is made available within the reach of the farmers.

ii. It tries to improve the bargaining power of the farmers.
iii. It improves the holding capacity of the farmers.
iv. It helps to eliminate middleman.
v. It helps to eliminate malpractices in weights & measure.
vi. It helps proper grading of product.
vii. It helps the farmer to get the right price for right product.
viii. It creates storage facility.
ix. It improves market knowledge of farmer.
x. It creates a coordination between farmer, trader & consumers.
xi. It provides a systematic structure.
xii. It helps adoption of mechanized systems.
xiii. It is based on democratic principles.
xiv. It is based upon socialistic philosophy.
xv. It creates employment opportunities.
xvi. It helps to improve living standards of farmers.
xvii. It helps improve co-operative sprit.

All these facts emphasize that agricultural marketing plays a significant role in the economic development of the nation. More efficient the marketing system more would be the economic development of the nation.
The Agricultural marketing scenario in the country has undergone a sea change over the last three decades especially after the onset of technological revolution in the country. Some of the changes in the production of agricultural commodities and also the changing demand pattern of the consumers have a significant bearing on the agricultural marketing system in general and also on the functioning of the various marketing organizations viz. regulated markets.

The farmers of the member countries of WTO are free to market their goods in these countries and hence have increased competition. India is now a member of WTO along with 148 other countries. As such the role of agricultural marketing in India has widened from the existing. It is necessary to produce only those commodities which have good demand in domestic as well as in international market and sell them in the form and at a place where prices are considerably high.”

**Defects of the Unorganized Market:**

With a view to grasp the significance of the organized market, it is necessary at the outset to understand the defects of the unorganized market. Some of the important defects and malpractices in the present system of agricultural marketing in India are as follows:\(^\text{12}\).

1. Forced sales.
2. Inadequate storage capacity.
3. Expensive means of transportation.
5. Multiplicity in Market changes.
6. Unwarranted trade allowances.
7. Adulteration and Lack of grading and standardization.
8. Method of sale / Faulty methods of selling.
9. Lack of standard weights and measures.
10. Delayed payment of sale procedure.
11. Large samples.
12. Low marketable surplus.
13. Lack of market information.

In the changed scenario, the marketing organizations should assist the producer-farmers in increasing the production of those goods and grain, which are in demand. For this the various marketing functions related to marketing of various products should be performed efficiently.

This facility will increase the freedom of producer-sellers to dispose of their profitability in the market when prices are fair. This will inject a sense of loyalty among the producer-sellers towards the regulated markets. Credit can be arranged from alternative sources of credit in the market yard by allowing the opening of branches of different banking institutions.
There is a strong need to develop channels for supply of agricultural inputs to the farmers in the market. This can be done by allotting shops to the input suppliers in the market yard and to develop in adequate channels for movement of agricultural inputs, along with arranging easy availability of seeds varieties demanded by the farmer-producers.

There should be the provision of transportation facilities for carrying the produce from places of production to Mandi Yard. This function can be taken up by the market committee to reduce the cost of transportation of small farmers having small surpluses and increasing the business of regulated market.

This can be done by operating transport system to help small farmers on cooperative basis and allowing different transport companies to operate in the mandi to create competition and avoid the formation of unions by minimization of transportation bottlenecks, and by not allowing the formation of union of transporters.

There is an increasing need for providing market extension services. Market extension services should be provided with a view to guide the farmers about the enterprise and its variety to grow in the area based on market demand. Motivation of the farmers in increasing the production of the enterprises by adoption of newly evolved technology is an essential factor i.e. planning and preparing the agricultural produce for market and advocating the farmers to
adopt branding and packaging. By providing facilities for cleaning and grading for the products in the market, motivating the farmers in increasing production and identifying of crops, which are most profitable.\textsuperscript{13}

By undertaking the studies of this nature, one can provide significant insights regarding the profitability of enterprises and marketing costs, margin and price etc. It can serve as a guide to the farmers to increase income or reduce cost through a research cell with Agriculture Marketing Co-operative Society.

Strengthening of storage system in the market can be done by encouraging the private entrepreneurs to construct more number of godowns in the rural areas and also by encouraging SWC and CWCs to construct more number of warehouses in different areas, constructing storage godowns by the Agriculture Marketing Co-operative Society in the market area out of the savings to extend and facility of pledge financing to the farmers.

The existing role of Agriculture Marketing Co-operative Society were laid down in the early sixties in a situation of scarcity syndrome, i.e. when marketed surplus available with the farmers was low due to poor production and low productivity. Government intervention in the trade was pervasive. Marketing infrastructures were not developed and there was a need to create them. There was no developed marketing system for carrying trade. All these situations have changed over the years.
2.3 Working of Agricultural Marketing Co-operative Societies:

The principle of co-operation is not new to India. The social life in India has always been based on co-operative norms. The Rigveda\textsuperscript{14} realized the importance of co-operation among the people. Atharvaveda also refers to co-operative organization like Sabha and Smithi. Lord Buddha has also preached the necessity of co-operation. Kautilya\textsuperscript{15} has also advised promotion of co-operative activity for rural and agricultural development. Joint family system prevalent in India since ancient times is entirely based on co-operation among all members the members of the family work for the whole family the Panchayat System which flourished in India is also based on community welfare. The Panchayat System aims at the improvement of socio-economic life of the whole village. As Dr. Bhatnagar\textsuperscript{16} has rightly observed "The Indian Co-operative Movement as emerged out of the turmoil, distress and dis-satisfaction which prevailed during the last quarter of the nineteenth century and were the direct consequence of the Revolution".

Co-operation in now regarded as one of the most powerful instruments for reconstructing and remodeling the economic structure of the under-developed countries in the world. Its need in India is quite imperative. The achievements of the Co-operative Movement in various field have been excellent in different countries of the world such as England, Germany, Italy, Denmark, and U.S.S.R.. The Co-operative Movement in India is still in its infancy. Much has to be done.
in this direction in our country. We, in India, have to learn a good deal from the experiences gained in the above countries in the different phases of co-operative activity.¹⁷

Co-operative movement is essentially an economic movement with great moral background. It represents a new spirit, the spirit of association, the spirit of self-reliance and mutual help, the spirit of group action and the spirit of outlook of life. It is a way of life, which helps for the development of individuals. It is one of the pillars of democracy. So the importance of research in the co-operative sector need not be emphasized, for a sector which is still struggling to catch limelight despite remarkable achievements to its credit, research studies undertaken in fresh and unexplored areas can not only show the path ahead but also come up with policy prescriptions which may need immediate attention. As co-operatives are people’s institutions working at the grass root levels, potentialities of research are immense, which however, have not been tapped fully; genuine research studies undertaken on a regular and sustained basis show the dynamism of the sector and catch the attention of the policy makers. In view of the above perspective, if one takes into consideration the field of public relations, a perceptible neglect of research in the field of co-operative public relations is definitely noticeable. Lack of research in co-operative public relations may be one of the strong reasons for lack of professionalism in this field.
It can be seen that the population of India is ever-increasing; the Government is unable to provide good and efficient services to the masses. By adopting the principle of co-operation the basic needs of the population can be met easily to the maximum extent. The ideal of "Bahujan Hityay - Bahujan Sukhay" i.e. for the happiness and welfare of the masses can be realized through the principle of co-operation. This principle can be possible only with the help of co-operatives. At the outset it needs be admitted that even after completion of 65 years the independence and despite the remarkable strides made in several sectors like agriculture, industry, education, science and technology socio-economic justice to millions of masses is still wanting. Problems of Indian economy are still persistent, such as illiteracy, unemployment, poverty, hunger, diseases. Co-operative effort has to accepted as the only economic system to reduce poverty in India. In an ideal co-operative system every member has to contribute his share of money, time and efficiency to a common goal of the organisation. Under these conditions, the present study will certainly prove to be one of the major contributions to the area of co-operative studies.

Gandhiji\textsuperscript{18} did not believe in any doctrine called "Gandhism" but he strove for establishing a spiritual and harmonious society based on love, non-violence, truth, justice and equitable distribution of wealth. He aimed at the formation of a society based on co-operative principles, self-sufficient community harmoniously developing individuals in to a balanced society.
All over the world, millions of people have chosen the co-operative model of business enterprise to enable them to reach their personal and community development goals. Co-operatives create and maintain employment providing income. They are responsible for producing and supplying safe and quality food and services not only to their members but also to the communities in which they operate. By putting the co-operative principles and ethics in practice they promote solidarity and tolerance. Co-operatives work as 'schools of democracy' and protect the right of each individual—women and men through their varied activities. In many countries co-operatives play a significant role in social and economic development, thus making not only personal development a reality, but contributing to the well-being of entire population at the national level.

It may be mentioned that co-operative are formed to handle many types of agricultural products in different parts of the world. There is not a single agricultural product which is not somewhere successfully sold by a marketing co-operative. This does mean, however, that the problems presented by co-operative handling different kinds of agricultural produce are game. In fact, each commodity presents its own problems and the technique of co-operative handling one kind of product has nothing in common with that handling of another type of agricultural product. For example, a grain marketing co-operative handling highly perishable products like fruits or vegetables. Some crops again go through much more elaborate processing and get continuously transformed before they
can be put on the market. The animal husbandry products like eggs, milk, meat, wool etc. raise their own problems of co-operative handling. What is attempted in the following paragraphs is an account of the working of a marketing co-operative handling agricultural products in general.

The agricultural marketing co-operative society generally use two different methods of marketing of agricultural produce.

Firstly, it acts as a commission agent. Most of the marketing co-operative societies in India act as commission agents and their transactions of marketing of agricultural produce are carried on for some nominal commission charged as service charges. In this method, the farmers bring their agricultural produce to the market place or office of the society and the society in term makes arrangement for their sale. Here the role of the society is only of a middlemen and no transaction takes place in the name of the society. It only acts as a catalytic agent for the farmers to find out some good purchase.

Secondly, agricultural marketing co-operative societies also conduct direct purchases. Here it doesnot act as a middlemen. It purchases the agricultural produce brought by the farmers in its own name. Keeps it stored at the market yard and resales the same to other buyers. Under direct purchase method the society also conduct auction sale. The farmers bring their produce at the market yard or society’s office and the same is auctioned in the presence of prospective buyers. In this method also the farmers get the proceeds of their produce immediately.
Thus, both these method of sale are widely in use under the agricultural marketing co-operative societies.

2.4 Management of Agricultural Marketing Co-operative Societies:

This section is devoted to the discussion of the various aspects of the management of Agricultural Marketing Co-operative Societies in detail.

Democratic Management

Democracy and co-operative principle values are followed in the management of society. There are two types of membership in the society i.e. institutional membership and individual membership. Large representatives belonging to institutional members are working over there. Routine working management rights are vested with the elected representatives among the members i.e Board of Directors or managing committee. The routine working is handled from the view point of protecting the interest of members. All important decisions are taken in the annual general meeting.

The members of marketing co-operative society elect a Board of Directors in their annual general meeting to control the activities and working of the society. The Board of Directors should consist of individual agriculturists, representatives of societies and nominees of Government and the central financing agency. The proportion between these representative on the Board should be left to the discretion of the society. The bye-laws may provide for co-option of one or two
persons whose specialized knowledge in marketing would be useful to the society, but care should be taken to see that the co-opted director is not a trader.

**Efficient management** - no principle is more obvious. Efficient management is often presumed. Actually, it is of utmost importance. Faulty and inefficient management is often the cause of failure of private enterprises and of co-operatives alike. The agriculturist is not ordinarily a man with business acumen nor is able to cope with the 'wiles of the middlemen' or the technique of trade and commerce. He needs the help of marketing co-operative at every stage in the disposal of his produce. If he is to get the right kind of technical advice in regard to production as well, a capable manager who knows his job well is fundamental to the success of a marketing co-operative. It should be remembered that co-operative management is in many ways a more difficult task than the management of private business. Co-operators must therefore, recognize that a capable manager can be had only on payment of adequate remuneration. Failure to recognize this principle has often led to poor results in the past. The manager of a marketing co-operative, it may be noted, is the key officer and it is the driving force, being a technical expert. He must not only have business acumen, but should also be in a position to deal with an important class people and co-operate with the members of Board who would often be the people not very conversant with a technical know-how of the business. The main success of a society would ultimately depend on the sort of person chosen.20
Federal Structure

In India, the structure of marketing co-operatives is of federal nature. At primary level or any central village level, 20 to 40 primary societies are affiliated to central societies. District level District co-operative Marketing Federation works, at the State level - State Co-operative Marketing Federation, and at National level - National Co-operative Marketing federation (NAFED) works. In this way, one can easily be acquainted with the federal structure of co-operative societies. It would not be an exaggeration to call it 'an essence of the cooperative organizations.'

2.5 Present Position of Agricultural Co-operative Marketing Societies:

The present position of co-operative marketing societies can be better understood with the help of the functional role played by them in the task of agricultural produce marketing.

Role of Agricultural Co-operative Marketing Societies:

The co-operative marketing societies play an important role in the following spheres:

2.5.1 Marketing of Produce

They arrange for the sale of members produce to the best possible advantage by enabling them to obtain better prices because of sale in bulk and
consequent economy in the cost of marketing.

Performance of co-operative sector has been impressive during the last two decades. Foodgrains as well as commercial crops are being sold by co-operative marketing societies. Value of agricultural produce sold by co-operative societies was Rs. 650 crores in 1970-71. It increased to Rs. 1564.3 crores in 1975-76 and to Rs. 7130.0 in 1991. It is expected that value of agricultural produce being sold by co-operative marketing societies will be Rs. 9500 crores in 1996-97. The value of agricultural produce sold by co-operatives has been substantial in Maharashtra, U.P., Gujarat and Punjab and these accounted for about 74 per cent of the total value of agricultural produce marketed by co-operatives.21

The co-operatives handled foodgrains to the value of Rs. 137 crores in 1965-66; Rs. 261 crores in 1970-71, Rs. 321 crores in 1973-74, Rs. 422 crores in 1976-77. Quantity of foodgrains handled by the co-operatives has increased considerably. Marketing of foodgrains is done by the co-operatives in Maharashtra (jowar and rice), Punjab and U.P. (wheat and bajra), Andhra Pradesh and Orissa (paddy).22

Under commercial crops, the co-operatives sold sugarcane worth Rs. 411 crores in 1976-77. Rs. 324 crores in 1972-73 Rs. 147 crores in 1965-66. The value of cotton marketed by co-operatives was of the order of Rs. 243
crores and Rs. 25 crores respectively during this period. Other important commercial crops marketed by co-operatives are oilseeds, fruits and vegetables and plantation crops of the value of Rs. 356 crores in 1976-77.23

2.5.2 Distribution of Fertilizers

Marketing societies also distribute fertilizers. Co-operatives are the sole distributing agencies for the distribution of fertilizers in Assam, Andhra Pradesh, Bihar, Madhya Pradesh, Uttar Pradesh, Punjab, Kashmir, Karnataka, Orissa and Tamil Nadu. They distributed fertilizers to the value of Rs. 78.63 crores through 45,000 retail depots in 1965-66. This increased to Rs. 400 crores and 42,316 depots in 1973-74. The sale of fertilizers amounted to Rs. 617 crores in 1974-75, Rs. 716 crores in 1975-76, Rs. 730 crores in 1976-77 and Rs. 750 crores in 1977-78.24

2.5.3 Distribution of Seeds and Agricultural Machinery

The co-operatives distributed seeds worth Rs. 45.11 crores in 1972-73 in U.P., Gujarat, Bihar and Maharashtra. In 1976-77, these were sold to the value of Rs. 51,39 crores. Agricultural machinery to the value of Rs. 13.29 crores was distributed in Maharashtra, Gujarat, M.P., U.P., and Karnataka in 1972-73, In 1976-77, the value amounted to 29.36 crores. Pesticides and insecticides were sold to the value of Rs. 12.12 crores in 1972-73. These
amounted to Rs. 24.71 crores in 1976-77 the value of consumer goods distributed was about Rs. 250 crores.25

2.5.4 Grading and Pooling of Produce

The co-operatives undertake activities in connection with grading, pooling and procuring of produce of members. Unfortunately very few marketing societies have undertaken this activity, and even those who undertook it, did it on a limited scale. It is confined to a few products only cotton, jute, turmeric, potatoes, etc. For example in Orissa, the Jute marketing society pools and bales jute, while Tikkabali Society undertakes grading and pooling of turmeric. In Andhra Pradesh grading is done only by Anakapalli Marketing Society in Vishakhapatnam- District and the Hindupur Co-operative Society in the Anantpur District. In Tamil Nadu, very few societies pool coffee but no grading is done. In Maharashtra, grading is restricted to fruits and eggs and that too to a few societies. In Bihar, vegetables are pooled and graded by the Vegetable Grower’s Societies. In U.P., grading is done for ghee. In M.P. a few societies pool and sell cotton by auction on commission basis. No grading is done by the co-operative societies. In West Bengal, the societies engage in the outright purchase of crops and grading is done only on a limited scale. In Himachal Pradesh, potatoes are graded, while in Kerala paddy, oranges, honey and cardamom are pooled and graded.26
2.5.5 Processing Activity

Some co-operative societies have also taken to processing activities. For example, in Andhra Pradesh, paddy is converted into rice and groundnuts are decorticated. In Tamil Nadu, groundnut is decorticated, cotton ginned, paddy husked and are canuts and coffee cured. In Maharashtra, processing is confined only to cotton ginning and pressing. In Punjab, cotton ginning, pressing and processing of chilies are done. In Orissa, processing activities comprise oil pressing, handnpounding of rice, bidi-making, in Kerala paddy husking and in Karnataka cotton ginning is done.27

2.5.6 Provision of Storage Facilities

The co-operatives also provide storage facilities to their members by renting or owning godowns and thereby facilitate grant of advances against pledge of produce, and sale of members' produce. Till the end of 1973-74 there were 19,000 (4,056 mandi level and 14,944 rural) godowns.

The total storage capacity in the co-operative sector was 3.3 million tonnes in 1973-74. It increased to about 4.0 million tonnes during 1976-77. The total storage capacity of the godown of co-operative sector increased to about 12.1 million tonnes during 1991-92. The capacity of the co-operative godowns has reached to about 14.2 million tonnes by 1996-97. Now the farmers are in position to get benefit of the storage facility. For the storage of perishable goods cold
storages have been constructed. Total number of cold storage has reached to about 309 by 196-97. The progress of co-operative sector in various activities has been shown in the following table.28

The bulk of the cold storages organised in the co-operatives are located mainly in U.P., Punjab, Bihar and Orissa. Most of these store potatoes. In Punjab, majority of the cold storages were organised as independent societies; while in other three states, they were set up as adjuncts to marketing societies.

2.5.7 Provision of Financial Assistance.

They provide advance funds or financial assistance to members on the pledge of produce and support them in interim periods between deposit of produce and sale. Against the deposit of goods, members may receive advances up to the extent of 75 per cent of the current market price. Under integrated scheme of rural credit, finance is given to agriculturists on condition that the produce which would undertake to recover the instalments due to the credit society shall be sold through the marketing society. Members may deposit the produce direct to them or to credit societies which might store the same in godowns of marketing society. This link between credit and marketing assists the credit societies in the recoveries of their productive loans. At the same time the arrangement helps the marketing societies in the collection of agricultural produce by utilizing the credit societies as their agents.29
2.5.8 Manufacture of implements.

These societies also manufacture agricultural implements. There were 26 co-operative societies in Gujarat, Haryana, Madhya Pradesh, Karnataka, Tamil Nadu, Uttar Pradesh, Bengal, Maharashtra and Rajasthan.

2.5.9 Foreign and Inter-state Trade

The NAFED undertook the export business to the tune of Rs. 21.2 crores in 1976-77 as against Rs. 197.85 lakhs in 1973-74. Rs. 97 lakhs in 1972-73 and Rs. 5.26 crores in 1970-71. It exports pulses, ground-nuts, chillies, ginger, garlic, cardamom to 22 countries including U.K., U.S.A., U.S.S.R., Kuwait, Canada, France, Japan and Singapore, and many other countries.30

Inter-state trade in agricultural commodities was done to the value of Rs. 868 lakhs in 1976-77 as against Rs. 783.39 lakhs in 1973-74, Rs. 227.96 lakhs in 1972-73. These commodities are coffee (in Karnataka): pulses, gram, peas, sanchemp. grains, tea, etc. (in U.P., Andhra Pradesh and Kerala); Mustard seed (in Gujarat). The total value of agricultural produce handled by the cooperatives in the inter-state trade was of the order of Rs. 17.41 crores in 1973-74 and Rs. 30.53 crores in 1976-77.31
Other Activities

The other benefits and functions of cooperative marking societies are:

(i) They protect members from several malpractices like unauthorised deduction, incorrect measurements, etc. They also eliminate the long chain of middlemen and connect the producer with the consumer.

(ii) Co-operative marketing reduces waste and stands for fair trading practices and uses its influence against rings and manipulation of prices.

(iii) Co-operative marketing teaches the farmers business methods and serves them as agencies for supplying market information.

(iv) Marketing societies stabilize prices over long periods by adjusting the supply according to market demand. In this way seasonal fluctuations of price or their evil effects can be eliminated.

Performance of Agricultural Marketing Co-operative Societies:

It seems that, the marketing societies have not done well in recent times. The Reserve Bank's study has pointed out that in none of the fields for which they were organised, the performance has been encouraging. "Of the 142 societies surveyed, 15 per cent did not report any type of business activity. Only 28 per cent reported advancing of loans, marketing of agricultural produce and distribution of supplies. The sale effected by marketing societies constituted a very insignificant proportion of the total produce coming into the market. Very
few cultivators sold their produce through marketing societies. Most of the societies did not effectively cover all the villages in terms of membership of growers and collection of agricultural produce. There have been regional imbalances in the limited progress made by these societies. U.P., Maharashtra, Gujarat and M.P. accounted for 60 per cent of the value of agricultural produce marketed by co-operatives. Most of the societies have not made any attempt to grade or pool members' produce."

The main reasons for the defective working of the marketing societies have been:

(1) The inadequacy of working capital.
(2) Lack of facilities for processing of produce.
(3) Out dated methods of marketing which offer no incentives to producers,
(4) Lack of confidence among the members in the society’s personnel.
(5) Absence of adequate and expert technical advice,
(6) Inadequate and underdeveloped state of transport facilities,
(7) Defective loaning policies,
(8) Dominance of traders and non-cultivators as members of the society,
(9) High operational costs of the societies,
(10) Lack of trained and efficient staff,
(11) Lack of support and guidance from apex marketing societies.
(12) Unremunerative price offered to cultivators as against price obtained on open market,

(13) Concentration on distribution function at the cost of marketing activities.

Observations of the Dalwala Committee:

An expert committee was appointed in 1964 under the chairmanship of Dr. Dantwala to:

(i) review the present pattern of co-operative marketing of agricultural produce;

(ii) distribution of production requisites and supply of consumers’ articles,

(iii) to indicate the future pattern of development with particular reference to inter-relationship between the organisation at different levels and

(iv) to indicate the role of co-operative marketing in an integrated structure of credit, supplies and processing, etc.

The Committee emphasised that all primary agricultural credit service societies in the area of operation of a primary marketing society should be affiliated to that society. This should be possible through a phased programme and each of these societies should be required to contribute to the share capital of the marketing society, at the rate of 2 per cent of its annual turnover in the preceding operative year. Efforts should also be made to collect annually 1 per cent of the value of sale by each member, towards the share capital of the
society irrespective of the fact whether the produce was brought by him direct
or through a credit society.

Thus, in this chapter the researcher has presented the historical aspects
of the development of the concept of co-operation in India and abroad. The role
of co-operatives in socio-economic development particularly with reference to
agriculture has been discussed at length. The role of co-operatives in the
marketing sector of agricultural produce forms the main focus of the discussion.
Co-operative marketing plays a significant role in the rural areas. Agriculture
produce marketing has been boosted up by the co-operative sector particularly
the co-operative marketing societies at various levels right from the village to the
state. No doubt, there are a number of lacunas in the system but this does not
mean that the system is to be rejected. What is needed is a reformation of the
system.

Notes & References:

1. Reserve Bank of India, (2010), Annual Report, RBI Publication, Mumbai,
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2. Mamoria C. B., (2005), Agricultural Problems in India, Kitab Mahal, Agra,
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