CHAPTER XI

PRESENT POSITION AND PROSPECTS
OF
COOPERATIVE MARKETING

Under the old economy characterised by isolation, and self sufficiency of the village, the marketing of agricultural produce occupied a very insignificant position. However, after the middle of the nineteenth century with rapid improvement in the means of communication and transport, which broke up the isolation of the self sufficient village, the commercialisation and specialisation in agriculture began. This was further accelerated by expansion of irrigation works, increasing use of money in the rural areas and cash payment of taxes, rents and wages.

This commercialisation in agriculture and the opening of far off markets as a result of improved communications would have benefited the cultivator, but unfortunately due to his ignorance, illiteracy and lack of entrepreneurial ability he was ill fitted to play the role of a businessman—a role which was thrust upon him. Thus he was face to face with powerful and organised business community, for which he was no match. Besides this there were certain other factors which deprived him of reasonable price for his produce. They were:

(1) Too many middle men:— The number of intermediaries in between himself and the ultimate consumer of his goods was too large. They took away a major portion of the price, as each one was to be paid for the services performed by him.

(2) Unregulated Markets: Till recently the markets were not regulated and many unfair charges and unauthorised deductions from the sale proceeds were made. With the promulgation of Punjab Agricultural Produce Act 1939, 1.

1. For instance there was the village shopkeeper, the Commission Agent, the dalal, the packer arhtee and the retail distributor.
these unfair deductions have decreased but they have not disappeared altogether.

(3) False Weights and Measures: False weights and measures were being used till recently not only in villages, but also in town markets. With the enforcement of Punjab Weights and Measures Act 1946, this practice of using false weights and measures has been checked at last in the big markets, but it is still prevalent to a large extent in the villages where there is no effective machinery to enforce the Act.

(4) Indebtedness of the Cultivator: In many cases the cultivator was not free to sell his produce to any trader, he pleased. He often happened to be indebted to a particular trader or a commission agent and was obliged to sell his produce to that particular person at a price to be fixed by him, which was generally below the market price.

(5) Low Staying power and Lack of Warehousing Facilities. As his sources of income were limited as compared to his pressing needs like land revenue and other maintenance expenses he could hardly hold the produce for a long period. He remained in need of temporary accommodation against the pledge of his produce, but due to lack of warehousing facilities, he could not obtain it at a reasonable rate. He was therefore forced to sell his produce immediately after the harvest at very low prices brought about by a glut in the market.

(6) Defective Communication and Lack of Market Information. The condition of roads in the rural areas, which connected the villages with the markets was so bad that the agriculturist found it too difficult to take his produce to the nearest market with the help of his poor bullocks. He was thus entirely left at the mercy of the local dealer. Due to lack of proper communications he could not obtain information regarding marketing rates which prevented him from obtaining the reasonable price prevailing in the market.
Cooperative Marketing Societies

It was to combat some of these difficulties and to bring fair return to the cultivators that Cooperative Marketing Societies were organised from time to time. The three main types of such societies organised were ghee sale societies, sugarcane supply societies and cooperative commission shops. Among these cooperative commission shops were the most important. The working of each type is discussed below:

Ghee Sale Societies: An attempt was made during the First World War to organise some ghee sale societies but the few societies that were organised, were only short lived. The organisation of such societies was again taken up during the Second World War, and for this a special Cooperative Sub-Inspector was appointed. With the appointment of a special Sub-Inspector it was natural that some societies would be organised, even if the members were not so keen. So with the temptation of some

1. Besides these three main types of societies there was one more important type of marketing societies i.e. sales societies, but as all of them were located in the West Punjab there seems little justification in discussing their working in detail.

At the time of partition there were three sales societies. One was Okara Sale Society which was organised as early as in 1921 and whose working since then is given below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Members</th>
<th>Working Capital (Rs.(1,000))</th>
<th>Sales (Rs.1,000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1920-21</td>
<td>14</td>
<td>31</td>
<td>12,80</td>
</tr>
<tr>
<td>1930-31</td>
<td>29</td>
<td>59</td>
<td>9,47</td>
</tr>
<tr>
<td>1940-41</td>
<td>36</td>
<td>73</td>
<td>14,38</td>
</tr>
<tr>
<td>1945-46</td>
<td>32</td>
<td>105</td>
<td>36,00</td>
</tr>
</tbody>
</table>

The other two sales societies were organised in 1944, and each of them had an average membership of 25 and annual sales of Rs.4 lakhs approximately from 1944 to 1947. But all these three societies though had substantial sales, had their membership restricted to few big zemindars and mostly handled non-members good. Thus their cooperative character was limited in a sense. About 31 cotton sales societies were organised in the Canal Colony Area of West Punjab in 1918 during the First World War, but they all stopped working in 1921.

In addition to these four types of societies a few societies of other types were also organised but their number and working was very small and most of them failed after some time. For instance 2 milk supply societies were organised in 1921, but failed after a year. One poultry farming society was organised in 1921, which failed in 1925. One Egg Grading and Sale Association was registered in 1939, which had 35 members, and Rs.3,414 as working capital in 1944, was still working but that was in the West Punjab area.

2. Four ghee sale societies were organised in 1919, but all the 4 were brought under liquidation in 1921.
advances to the societies from the central banks, a few such societies were organised whose number, membership and working capital may be seen from the following table:

<table>
<thead>
<tr>
<th>Year</th>
<th>No.</th>
<th>Membership</th>
<th>Share Capital</th>
<th>Loans from Central Bank</th>
<th>Working Capital</th>
<th>Sales</th>
<th>Profit &amp; Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>1938-39</td>
<td>6</td>
<td>161</td>
<td>Rs.*</td>
<td>Rs.*</td>
<td>Rs.*</td>
<td>Rs.*</td>
<td>Rs.*</td>
</tr>
<tr>
<td>1939-42</td>
<td>11</td>
<td>333</td>
<td>720</td>
<td>2,980</td>
<td>3,710</td>
<td>Nil</td>
<td>15</td>
</tr>
<tr>
<td>1944-45</td>
<td>4</td>
<td>79</td>
<td>708</td>
<td>1,552</td>
<td>5,408</td>
<td>4,672</td>
<td>-187</td>
</tr>
<tr>
<td>1945-46</td>
<td>3</td>
<td>61</td>
<td>72</td>
<td>268</td>
<td>512</td>
<td>Nil</td>
<td>31</td>
</tr>
<tr>
<td>1946-47</td>
<td>2</td>
<td>26</td>
<td>53</td>
<td>201</td>
<td>384</td>
<td>&quot;</td>
<td>11</td>
</tr>
<tr>
<td>1948-48</td>
<td>141</td>
<td>13+13</td>
<td>103+84</td>
<td></td>
<td></td>
<td>&quot;</td>
<td>1</td>
</tr>
</tbody>
</table>

It is clear from above i.e. their small average membership, working capital and sales that these societies were not properly organised and were registered merely to increase the numerical strength. The result of this was their failure after some time. Such societies cannot succeed unless the work is done on a large scale with central institution in the towns to achieve business efficiency and economies to compete with the business community.

**Sugar Cane Supply Societies:** The first sugarcane supply society on the model of the sugarcane supply societies in the Uttar Pradesh was organised in 1939. The main objects of the society were the development of sugarcane and its marketing. However, the society could not succeed in its aims for about 8 years till 1947 when the Government came to its rescue. The local sugar mill owners did not recognise its existence and the society had to sell the sugar cane of its members to the distant mills. It could not therefore earn much commission, which could have been utilised for the development of sugar cane. This fact is clear from the following table also:
Table No. LXX
Progress of Sugarcane Supply Societies

<table>
<thead>
<tr>
<th>Year</th>
<th>No.</th>
<th>Membership</th>
<th>Working Capital</th>
<th>Total Sales</th>
<th>Commission earned.</th>
<th>Profit &amp; Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
<td>Rs.</td>
</tr>
<tr>
<td>1939-40</td>
<td>1</td>
<td>1,030</td>
<td>2,737</td>
<td>73,000</td>
<td>1,575</td>
<td>655</td>
</tr>
<tr>
<td>1942-43</td>
<td>1</td>
<td>3,544</td>
<td>1,850</td>
<td>1,211</td>
<td>37</td>
<td>-634</td>
</tr>
<tr>
<td>1945-46</td>
<td>1</td>
<td>4,602</td>
<td>1,057</td>
<td>N.A</td>
<td>87</td>
<td>51</td>
</tr>
<tr>
<td>1946-47</td>
<td>1</td>
<td>4,686</td>
<td>3,397</td>
<td>2,05,104</td>
<td>2,323</td>
<td>1,940</td>
</tr>
<tr>
<td>1947-48</td>
<td>1</td>
<td>3,660</td>
<td>2,816</td>
<td>6,02,351</td>
<td>4,990</td>
<td>5,026</td>
</tr>
<tr>
<td>1948-49</td>
<td>1</td>
<td>3,948</td>
<td>7,586</td>
<td>3,88,728</td>
<td>3,754</td>
<td>977</td>
</tr>
<tr>
<td>1949-50</td>
<td>2</td>
<td>4,234</td>
<td>9,688</td>
<td>3,631,780</td>
<td>3,492</td>
<td>-120</td>
</tr>
<tr>
<td>1950-51</td>
<td>2</td>
<td>4,837</td>
<td>10,950</td>
<td>9,53,000</td>
<td>22,831</td>
<td>11,129</td>
</tr>
<tr>
<td>1951-52</td>
<td>2</td>
<td>6,978</td>
<td>16,976</td>
<td>15,75,000</td>
<td>42,187</td>
<td>29,344</td>
</tr>
</tbody>
</table>

It was under pressure from Government that the status of the society was
recognized in 1947 but even then the mill owners did not accept all the
sugar cane offered by the society and made purchases from distance places.
In 1950 the Punjab Sugar Factories Control Act, 1950, was promulgated
which gave to the society a legal status. Now under Section 22, Clause
(ii) of this Act, the occupiers of the sugar factory could not directly
purchase the Sugarcane of a cultivator who was a member of the society.

With the passing of this Act, the business of the society increased
greatly and sales rose from Rs. 3 lakhs in 1950 to Rs. 46 lakhs in 1952. The
society earned a gross profit of Rs. 23 thousands in 1951, out of which
Rs. 10 thousand was ear-marked for the development of cane and was used for
providing aluminium sulphate to its members at a low cost. However as
the membership of the society is small, being voluntary, only a part of
the total supplies needed by the mill are supplied by it. Another soci-
ety is still in an initial stage. With enforcement of the Act, and by
making it obligatory for the mills to buy all their supplies through the
cooperative societies, it is hoped that this form of cooperation will
flourish and bestow many benefits to the cultivators as it has done in the
Uttar Pradesh.

Cooperative Commission Shops: The commission shops have been the
main centres of cooperative marketing activity in the State. The main
objects of these shops have been (1) to sell on commission basis the
produce of their members and (2) to purchase and supply on commission basis the seeds, agricultural implements and other requirements to their members.

The first cooperative commission shop was registered in 1919 and the progress since then may be seen from the following table:

**Table No. LXXI**

<table>
<thead>
<tr>
<th>Year</th>
<th>Membership No.</th>
<th>Membership Societies</th>
<th>Total Society</th>
<th>Share Capital Rs.</th>
<th>Reserve Loans Rs.</th>
<th>Working Capital Rs.</th>
<th>Total Sales Rs.</th>
<th>Members' &amp; Ind. Mem. Profit Rs.</th>
<th>Loss Rs.</th>
<th>Ind. Mem. who did not produce</th>
</tr>
</thead>
<tbody>
<tr>
<td>1918-19</td>
<td>1</td>
<td>-</td>
<td>150</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>N.A.</td>
</tr>
<tr>
<td>1920-21</td>
<td>5</td>
<td>279</td>
<td>191</td>
<td>470</td>
<td>69</td>
<td>1</td>
<td>1,07</td>
<td>3,46</td>
<td>N.A.</td>
<td>1</td>
</tr>
<tr>
<td>1924-25</td>
<td>6</td>
<td>731</td>
<td>289</td>
<td>1,020</td>
<td>1,21</td>
<td>5</td>
<td>1,03</td>
<td>2,73</td>
<td>15,80</td>
<td>&quot;</td>
</tr>
<tr>
<td>1926-27</td>
<td>24</td>
<td>3,286</td>
<td>1,273</td>
<td>4,559</td>
<td>3,19</td>
<td>25</td>
<td>1,156</td>
<td>6,40</td>
<td>47,00</td>
<td>69%</td>
</tr>
<tr>
<td>1928-29</td>
<td>23</td>
<td>3,538</td>
<td>1,269</td>
<td>4,807</td>
<td>3,13</td>
<td>56</td>
<td>1,11</td>
<td>5,77</td>
<td>18,61</td>
<td>67%</td>
</tr>
<tr>
<td>1936-37</td>
<td>20</td>
<td>3,276</td>
<td>996</td>
<td>4,272</td>
<td>2,91</td>
<td>70</td>
<td>62</td>
<td>5,01</td>
<td>22,42</td>
<td>59%</td>
</tr>
<tr>
<td>1940-41</td>
<td>22</td>
<td>4,522</td>
<td>978</td>
<td>5,500</td>
<td>3,08</td>
<td>62</td>
<td>55</td>
<td>5,12</td>
<td>24,67</td>
<td>64%</td>
</tr>
<tr>
<td>1944-45</td>
<td>21</td>
<td>4,295</td>
<td>925</td>
<td>5,220</td>
<td>2,94</td>
<td>73</td>
<td>65</td>
<td>6,67</td>
<td>71,54</td>
<td>50%</td>
</tr>
<tr>
<td>1945-46</td>
<td>20</td>
<td>4,070</td>
<td>901</td>
<td>4,971</td>
<td>2,97</td>
<td>75</td>
<td>73</td>
<td>6,59</td>
<td>83,18</td>
<td>25%</td>
</tr>
<tr>
<td>1946-47</td>
<td>4</td>
<td>370</td>
<td>125</td>
<td>495</td>
<td>29</td>
<td>48</td>
<td>57</td>
<td>1,03</td>
<td>10,48</td>
<td>55%</td>
</tr>
<tr>
<td>1947-48</td>
<td>5</td>
<td>366</td>
<td>125</td>
<td>491</td>
<td>28</td>
<td>46</td>
<td>-</td>
<td>90</td>
<td>3,93</td>
<td>29%</td>
</tr>
<tr>
<td>1948-49</td>
<td>7</td>
<td>565</td>
<td>128</td>
<td>693</td>
<td>55</td>
<td>51</td>
<td>7</td>
<td>1,70</td>
<td>12,78</td>
<td>65%</td>
</tr>
<tr>
<td>1949-50</td>
<td>7</td>
<td>619</td>
<td>93</td>
<td>712</td>
<td>75</td>
<td>43</td>
<td>52</td>
<td>2,59</td>
<td>29,78</td>
<td>17%</td>
</tr>
<tr>
<td>1950-51</td>
<td>8</td>
<td>883</td>
<td>159</td>
<td>1,042</td>
<td>1,00</td>
<td>53</td>
<td>11</td>
<td>2,53</td>
<td>31,25</td>
<td>43%</td>
</tr>
<tr>
<td>1951-52</td>
<td>8</td>
<td>-</td>
<td>1,140</td>
<td>1,09</td>
<td>62</td>
<td>22</td>
<td>3,77</td>
<td>38,13</td>
<td>35%</td>
<td>11%</td>
</tr>
</tbody>
</table>

It will be observed that there has been no increase in their number after 1929. After that year their sales also fell and did not rise substantially till 1942 when they suddenly rose from Rs.35 lakhs to Rs.96 lakhs in 1943 and to Rs.83 lakhs in 1946. The increase in their business during the war period was due to rise in the prices of agricultural commodities and taking up of some procurement work entrusted by the Government. As most of these shops were confined to the larger mandies of the canal colony areas (now in the West Punjab) which used to export a large quantity of surplus produce to other markets, the statistics relating to their number as well as their working showed a sudden drop after the partition as is self evident from the above table. Their number fell from 20 in 1946 to 4 in 1947 and their sales from Rs.83 lakhs in 1946 to Rs.10 lakhs in 1947. Although after the partition the number of these shops
doubled and sales have risen by three times, yet there is much to be desired and done by them.

**Defects:** From the large figures of annual sales of these shops it may perhaps be guessed that these shops would have been working well and catering for the needs of agriculturist, but actually it was not so. Their scope of business was limited and their working and constitution were defective. They worked more as business associations for a few well-to-do agriculturists rather than as federal unions to serve the need of all the average agriculturists around that area. The main defects from which these societies suffered were as under:-

1. **Defective Constitution:** It will be observed from columns 2 and 3 of the above table that the memberships of these shops consisted mostly of individuals (who were generally big zamindars) rather than of cooperative societies. Besides the number of societies affiliated being small, these village credit societies had no bindings upon their members to sell their produce through these shops, under the 'controlled credit scheme' as is done in Madras. In the absence of such an obligation upon the members it is, therefore, doubtful if many members sold their produce through these shops and thus the affiliation of even these existing societies was only nominal. Taking into account both these facts it can, therefore, be said that it is only the well-to-do agriculturists who could get some benefits while the ordinary agriculturists remained unaffected.

2. **Defective method of distributing profits:** The method of distributing profits was not correct. Majority of the shops distributed net profits in the form of dividend on the basis of share capital contributed by each member instead of giving them rebate on the value of produce sold through these shops. Under this system the disloyal members also received the full benefit, which was not proper and actually discouraged the loyal ones. Not only that, but even the profits earned on the sales of non-members goods—which were fair in this case—were also distributed

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1. From column 11 of the table it will be observed that more than 33% of the produce sold through these shops belonged to non-members.
in the form of dividend instead of carrying over to reserves. This prevented these shops to strengthen their financial position.

**Causes of Failure:** In addition to their benefits being confined to a few well-to-do agriculturists most of them did not succeed and have been running under a continuous loss. The reasons were:

1. **Dishonesty of Members:** One of the important reasons for the failure of these shops was the dishonesty of the members. This is self-evident from the above table, wherefrom it will be observed that more than 50 percent of the members did not bring their produce to these shops. Dr. Niyogi remarks, "If the members are seduced away by temporary offers even the strongest organisation will fail." Though the provision for the enforcement of members' loyalty and penalty existed in the by-laws, yet it was never enforced. The committee members felt that the members penalised would leave the society and use their influence to the detriment of the society.

2. **Directors' Dishonesty and their Non-cooperative spirit:** Not only that the ordinary members were not loyal, but even the directors were chips of the same block. Moreover some of them opened their own shops in the same market, and thus affected the business of the cooperative shops by diverting some of the customers to their own. Such an attitude of the well-to-do non-officials affected the movement in more than one way. Ordinary members cannot be blamed when the leaders themselves have such a non-cooperative spirit. Even when they had their own shops, in some cases they continued to remain the directors of these shops. A society can never succeed of which the directors themselves compete with its business.

3. **Directors' Lack of Entrepreneurship and dishonesty of Employees:** Members of the managing committees who mostly came from

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1. For instance in a period of 12 years from 1935 to 1947, these shops showed a net loss for 6 years. Even after the partition their position has not been satisfactory. For example in the year 1950, 3 out of 7, showed a loss of Rs. 3,000, while out of total sale of Rs. 30 lakhs in 1950, 27 lakhs were of the two shops.

2. Cooperative Movement in Bengal (1940), P. 191.
the rural areas, were un-educated and had no previous business training. They could not supervise the work of employees properly. Thus much of the success of these shops depended upon the employees. But such efficient and honest staff was not easily available. There is not a single Annual Report in which the embezzlement in one or two shops by the employees had not been reported. This caused a serious loss to the shops, and which had to be closed in certain cases. On the other side where some honest men were available, they were not appointed because the directors wanted to employ their own relatives, even when they were not well qualified and had business experience. The report for 1936 adds "A contributory cause is undoubtedly the persistence with which the directors attempted to put into these posts unqualified and unreliable relations of their own. Embezzlements, mis-management and consequent failure of these shops brought a very bad reputation to the societies, and so many members left while others hesitated to join.

4. Effective opposition from: The setting up of cooperative commission shops was a direct blow on the business of other commission agents to whom they were a rival. They were in majority in a market combined to injure the interests of the shop by all possible means. Sometimes there was even a total boycott, which was effective in certain cases. They gave every kind of temptation to the customers of these shops to attract them towards their own shops. Even the Patna Akhiies who either directly purchased the goods or acted as agents for the big firms, belonging to the same community, made a discrimination against these shops by giving lower rates for the produce bought through these commission shops. This had a great psychological effect upon the members and customers of the society. In a business nothing counts more than the economic benefit. So if different prices were paid for the same quality of produce, it naturally affected the members' loyalty.

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1. For instance the report for 1926 adds that the managers of a shop was suspended for mis-appropriation. In 1929 three managers having considerable experience were removed for dishonesty. In 1932 there were embezzlements in three shops.
5. Their limited business and lack of coordination: The membership of the shops was very small, which meant small business. So they could neither employ well paid and efficient staff, nor could realise the economies of large scale business. It is generally regarded as essential in the success of a marketing society that it should handle a large volume of business. Moreover these shops confined their business to only commission work and did not take processing work, which could increase their profits on the one hand and give more benefits to the agriculturists on the other. There was also lack of coordination between the various shops which could not have been possible in the absence of an apex institution. This made it difficult for them to take up the export of their goods to foreign markets.

6. Lack of Government support: The Government did not encourage these shops to the extent to which they deserved. Poor societies cannot compete with already established strong business houses, unless they receive due help from the Government. During the war and in the post war period, when the controls and rationing were imposed, Government could help a lot, by entrusting these shops with procurement and distribution work after converting them into marketing unions and linking them with primary credit societies. Such steps were taken by the Governments of Madras and Bombay, but no encouragement of this kind was given in the state. Some procurement work was entrusted to these shops before and after the partition but without changing their constitution and without curbing their tendency of the distribution of large dividends. So it did not help much either in strengthening their financial position or making them popular among the masses and thus was missed the golden opportunity.

Advantages of these shops: No doubt the benefits of these shops were restricted to a few agriculturists but they cannot be ignored altogether, (1) The dealings of these shops were fair. Correct weights and measures were used. Charges of commission were comparatively less than of other
shops and no illegal deductions were made. The practice of delaying payments, which is generally resorted to by other commission agents, was avoided. (2) In cases where the members got rebate on sales of their produce, the charges of the middlemen were saved, and (3) these shops gave the members practical lessons in cooperative education. The cultivator's feelings that it was his own shop helped in the raising of his social status and in increasing his business capacity. The Cooperative Planning Committee has rightly observed¹ "No influence is so important in the economic education of the farmer as their own marketing. The very attempt on the part of the farmer to solve their problems teaches them basic economic truths. The operation of cooperative marketing organisations teaches farmer that agriculture is primarily a form of business."

**Present Position:** Reviewing the position as a whole and taking into account the various considerations, such as the limited scope of their business, their utter failure in many cases, the small business handled by them as compared to the total business done in the State, and the progress made so far, it can be said that cooperative marketing has not made any significant headway in this State. Mr. Wace in his Report observed² "The cooperative marketing activities in the State have been on a limited scale and have shown no noticeable progress in the last dozen years."

**Future Prospects:** It will be clear from the foregoing pages that experiments in cooperative marketing were not made in planned and systematic way and if we have to make this venture a success, serious efforts on a planned basis will have to be made and lessons learnt from the past failure will have to be fully utilised. Cooperative marketing is the most difficult form of cooperation, as in it the people with small means and lacking business ability have to compete with a strong and organised business community having large resources at its command.

1. Committee Report, P.59
Success, therefore, will only be possible if the societies are organised on proper lines. A few suggestions in this connection may be summarised as below:

(1) **Federal Constitution:** All the marketing institutions should be of the federal type. These commission shops should be converted into supply and marketing unions, and the membership of the individuals must be limited. All the present and the new village multipurpose societies in that area should be its members. In the areas which at present are not served by these shops, there should be at least one supply and marketing union for 50 to 60 villages in the nearest mandi corresponding to the Rural Development Block proposed hereafter. All the multipurpose societies should be affiliated to it and these should work under a scheme of 'Controlled Credit'.

The main functions of a supply and marketing union should be (1) to arrange for the sale of members' produce to their best advantage, (2) to arrange for the supplies of consumer goods, such as seeds, manures, agricultural implements and other goods on indent basis through the multipurpose societies, (3) To take up some simple processing works, and (4) to advance money to the members against the security of produce where the multipurpose society is not in a position to do so. For the successful performance of the above functions it is necessary that (1) every union should have at least one godown built up with the help of Government subsidies and long terms loans, (2) It should have sufficient

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1. **Controlled Credit:** The system of controlled credit was originated in Madras and has now become a general feature of the marketing societies in that state. Under this system the rural credit societies in the village is linked with the marketing society at the marketing centre. Loans for cultivation purposes are given by the rural credit society to its members on condition that the produce should be sold through the marketing society to which the small credit society is affiliated. The credit society appoints one of its members as a marketing Panchayatdar who is recognised by the marketing society as its agent. The agent receives a commission on the produce, he brings to the marketing society. This system combines credit and trade in the same way as the bania does.
share capital and adequate built up reserves to raise funds through the Reserve Bank and (3) it should replace the system of distributing dividend on share capital to rebate on the produce sold through it.

(2) Loyalty of Members: In the past it has been seen that the members have not been loyal to their marketing societies in bringing their produce and this disloyality had been one of the main causes for latter's failures. It is therefore necessary that the loyalty of the members of the primary societies affiliated to them should be enforced through law. Some critics may object that in case loyalty of the members is enforced through law, these institutions would no more remain cooperative in character as it introduces as element of compulsion, and efficiency must be the main criterion in such cases. But the problem is that if the members are allowed to sell their produce voluntarily (1) the business of the unions will not be ensured and (2) they will not be able to employ efficient and well paid staff both of which are vital for their success. Dr. C. R. Fay, a well known cooperator favours a certain degree of compulsion, specially in marketing business. He says\textsuperscript{1} "The question is, shall there be a 'Lieferungs-Pflichten' i.e. obligation laid upon the farmer to deliver all his corn to the society? Unless there is, the society can not reckon up its supplies before hand in order to secure favourable contracts in advance and so if the society is not to lead a precarious existence, as a seller of occasional reminders, the obligation must be enforced". So not only for the secured business of the unions but even for the success of the multipurpose societies to ensure prompt repayments, it is necessary that the finance must be linked with marketing which course has been recommended by various committees and commissions also. The Cooperative Planning Committee observed\textsuperscript{2} "We are of the opinion that for the proper

\begin{enumerate}
\item Cooperation Home and Abroad - P. 185
\item Committee Report - P. 64
\end{enumerate}
development of Indian agricultural economy credit should be linked with marketing. To ensure this we recommend that one of the conditions of loans given by the primary societies should be that each member will sell all the marketable surplus of his farm produce through the primary society. The Bombay Agricultural Debtors Relief Act makes it an offence to sell to unauthorised persons agricultural produce raised with the help of crop finance obtained from a cooperative society. It will therefore be necessary to pass such legislation in this state also as has been done in Bombay. With such a provision various other advantages will also accrue: (1) The position of the credit societies will improve and they will be able to make prompt recoveries, (2) The business of the marketing unions will be ensured, which will enable them to achieve some economies of large scale business. (3) With assured and more business the unions will be able to employ well qualified and efficient staff.

(3) **Efficient Service:** At present the staff employed in majority of these commission shops is not well-qualified and is quite inefficient. The main reason for this is their small volume of business, which does not permit them to employ well-paid and experienced staff. Though with an increase in their business under the controlled credit scheme, these unions will be able to pay more and employ efficient staff, but there is every possibility that the directors may try to put their own men without having regard to their qualifications as has been done in the past. Therefore it will be necessary that minimum qualifications should be fixed for this staff. To have a further check it will be better if this staff is recruited and controlled by the District Marketing Society (proposed hereafter). The above scheme will also be very helpful in giving the staff a sense of security and permanency and will therefore, make the employees more cautious and responsible in the dealings of the society. In the initial stages of establishment of new unions a part of the cost of the staff should be met by the Government as it was done in Bombay and Madras.
For proper management of the unions, there should be at least one man of sufficient business experience in the managing committee of each union. Thus emphasis will have to be laid on good management and more efficiency as much of the success of these unions will depend upon their efficiency and quality of service they render to the members. A society is nothing more than a business organisation for an ordinary member, and the members will not be loyal in spite of obligations imposed upon them unless they get better service. Dr. Niyogi has aptly remarked:

"All these provisions of binding the members are useful in their own way in retaining some amount of hold on members' loyalty and support. But it is futile to expect too much from legal and administrative provisions when the success of a marketing cooperative depends upon the tangible financial advantages realised by members. No contract, no penal fines can succeed in instilling loyalty if members believe that they derive little benefit or no financial advantage from membership."

(4) Better Supervision: The supervision of the cooperative department should also be strict, and the committee members should be reminded occasionally of their obligations and duties. At present the duties of supervision and audit of the present shops are entrusted to the sub-inspectors who are not competent to perform either of the two. While the supervision of such unions should be the responsibility of the Cooperative Inspector, for their proper audit a special auditor should be appointed by the State Cooperative Union.

(5) Increase in scope of work: So far these shops have confined their business to simple commission work only which offers little attraction and confers small benefits upon the cultivators. Therefore some kind of processing work should be undertaken by these unions and some by the higher institutions i.e. the District Wholesale and Marketing Unions and the State Cooperative Marketing Federation, depending upon the nature of each business. Even the Planning Commission has recommended for the same.

"Even after linking credit with marketing, cooperatives, which act only as commission agents for sale are not effective and that ownership and

1. Cooperative Movement in Bengal (1940) - P.196.
2. The First Five Year Plan, P.244.
management of processing facilities on a cooperative basis are essential for protecting the interests of the growers and strengthening the economy. The work of oil pressing, flour milling and rice husking which do not require much capital and business ability can easily be taken up by these unions, while some of the works such as cotton ginning, sugar making etc. may be taken up by the higher institutions. For this necessary help should be given by the Government in the form of acquiring sites, sanctioning electric connections, and supplying capital in the initial stages.

In case of commodities for which no processing work is taken up by the cooperative organisations whether the union should sell the produce of members on commission basis or make direct purchases, should depend upon the nature of commodities. In case of goods, which are not perishable in nature direct purchases can be made by the unions with the close coordination of District and Provincial Marketing Organisations for export to other States. But such direct sales will not be possible unless the goods are graded and then pooled. For this grading work the staff of the Marketing Department should render them the necessary help. The above two methods i.e. direct purchases and processing work will help these unions in reducing the chances of effective boycott by private commission agents.

(6) Establishment of District and Provincial Organisations: At the district level, there should be one District Wholesale Supply and Marketing Union in each district. It should supply goods to the marketing unions and should, also arrange for the sale of their goods directly or through the Provincial Marketing Federation. The supply and marketing union in the district town should be a branch of this District Wholesale Supply and Marketing Union. The paid staff of other unions in the same district should also be controlled through it.

1. For full details as to how this District Wholesale Supply and Marketing Union should work, kindly see Chapter XIII on Multi-purpose Societies.
At the provincial level, there should be a State Cooperative Marketing Federation, which should coordinate the working of all the central marketing organisations, and should particularly perform the following functions:

(1) It should work as an advisory body and should conduct a marketing intelligence service for the unions;

(2) It should arrange for the export of goods to other states by having contact with the sister institutions of those states;

(3) It should work as a wholesale distributor for the supply of agricultural implements, fertilizer, pure seeds and other essential articles needed by the agriculturists and should supply these articles to the agriculturists through the district unions;

(4) It should also undertake those processing works which require large investments e.g. sugar factory or ginning factory and which cannot be taken by the district or other marketing unions.

A few directors of this Federation may be nominated by the Government, but it must not be a too much officialised agency. It should act in the interest of its member and the cultivators at larger and should not take up those functions which are beyond its scope 1.

(7) Other Measures: Other measures which will be necessary for the successful working of the cooperative marketing in the State are; the development of communications, improvement of the bullock cart, warehousing facilities, some control over the malpractices of factory owners, dissemination of marketing information to the cultivator through radios and by other means, provision for fair representation of cooperative institutions in Marketing Committees of mandies, complete coordination between Marketing Department and Rural Development Departments, State assistance, setting up of consumers' stores, vigorous enforcement of the Weights and Measures Act through the Rural Development Department field

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1. For instance the Uttar Pradesh Development and Marketing Federation has taken up the work of distribution of type writers and tea etc. to show certain profits. But this is not a proper function of such Marketing federations. They should act for the benefit of their members and not merely to show some pofits by having certain type of monopoly in certain fields.
staff and removal of unemployment from the middle classes. Some of these
measures also need elucidation.

Development of Roads: It is expected that development of roads will
now receive more attention under the Community Development and Extension
Service Schemes. More emphasis, however, will have to be laid upon the
improvement of the bullock cart as it is and will continue to be for a
long time to come the most important means of transport for a cultivator.

Control over the malpractices of: Some kind of control over the
factory owners.

Malpractices of factory owners is most essential as they generally withhold the payments of marketing
societies, which causes them serious losses and sometimes their failure
when these cannot make prompt payments to their customers for the produce
sold through them. In the case of cotton ginning factories many a time
lower rates are offered as a measure of discrimination for the cotton
sold through these cooperative societies while on the other hand due
credit is not given for the quality of the produce. It will therefore
be necessary to stop these practices and to evolve some scientific method
upon the basis of which the rates may be determined according to the
quality of the produce sold.

Warehousing Facilities: As already stated and as reiterated by
various committees and commissions there is an urgent need for the es-
establishment of well organised warehouses to facilitate the development
of agricultural marketing and agricultural finance. The Reserve Bank
of India has been taking a keen interest in this matter and in 1943 it
circulated a proposal to all the State Government for erecting warehouses
in their respective states. On the basis of that a few State Governments
have enacted such legislation also. But even where legislation has been
enacted no licensed warehouses has been established. The reason is that
the conditions under the Warehousing Act are so strict that no private
commercial agency is willing to take up this work. It now remains for
the States to set up separate corporations for erecting such warehouses.
In the absence of this, the only practical course will be that cooperative marketing unions should construct their own godowns. For this necessary subsidies and long term finances should be provided by the Government.

**State Assistance:** The assistance of the State in various matters, such as setting up of godowns, subsidies to meet establishment expenses at the initial stages, preference in case of allotment of sites, etc., will be most essential. So far the policy of Government has been rather apathetic, and a fundamental change in the policy will be most essential. All purchases whether under the procurement scheme, or for any other purpose, must be made through the cooperative institution. The distribution work for essential goods should also be entrusted to them.

**Removal of Unemployment among the middle classes:** The chronic unemployment among the middle classes has vital bearings on the success of the cooperative organisations. Due to the absence of other avenues of employment there is a keen competition among business men on the trade side and thus their margin of profit is very low. To compensate these low profits they often resort to other malpractices also. Both of these affect the efficiency of cooperation organisations. The societies cannot have very low margin of profit, because they have to cover the minimum establishment expenses incurred in employing good and honest staff, while to adopt malpractices is against the principles of cooperation. Therefore steps will have to be taken for the removal of this unhealthy competition and to find other avenues of employment for them on the productive side. Recently this question has come up for vivid discussion and is receiving the serious attention of the Planning Commission. However, practical steps are still to be taken.

**Conclusions:** To sum up we can say that three main types of marketing societies, viz. ghee sale societies, sugar cane supply societies and commission shop were organised. The ghee sale societies failed due to lack of proper organisation and can succeed only if such societies work on commercial lines to achieve business economy and efficiency. The
sugarcane supply societies though organised as early as in 1939, were not able to make any headway till 1950, when the Sugar Factories Control Act was passed. The future of these societies is very bright provided it is made obligatory for the mills to buy their requirements only through the cooperative societies. The main activity of cooperative marketing, however, has been the commission shops, but these also have not shown any remarkable progress due to various reasons such as their defective constitution, disloyalty of members and particularly of directors, their small extent of business, employment of inefficient staff, and lack of Government support. There is a great scope for the development of cooperative marketing of agricultural produce, provided the work is done on systematic lines. For this the necessary steps are: the change in the constitution of these shops from unilateral to federal type, introduction of the controlled credit scheme, increase in the scope of their work to take up processing and supply work, and the employment of efficient and honest staff. To coordinate their activities District Wholesale Supply and Marketing Unions and a State Marketing Federation should be set up. All these institutions should receive full encouragement by the Government by way of preferences for allotment of procurement and distribution work, in allotment of sites and subsidies to meet establishment expenses in the initial stages and for erecting godowns. Among other measures for the development of cooperative marketing the important steps are: the improvement in communications, some control over the mal-practices of factory owners, setting up of ware-houses and removal of unemployment among the middle classes.