CHAPTER THREE
COOPERATIVE MARKETING IN INDIA
Cooperative Marketing In India

In the previous chapter it was noted that the Cooperative Movement in India could not make head way in spite of its age, philosophy and principles of democracy. It is so because agriculture is slow in adopting itself to changing techniques of marketing because our cooperative societies are merely credit societies. In this context, the present chapter deals with the, overall progress and performance of cooperative marketing in India.

As mankind moves towards the millennium, with its awe-inspiring problems and opportunities, the subject of marketing is attracting increasing attention from every sphere of life. The intensifying interest in marketing is paradoxical because while marketing is one of man's newest action disciplines, it is also one of the world's oldest professions. Various definitions of marketing have been given through time, but the committee on definitions of the American Marketing Association (AMA) defined marketing as, "The performance of business activities directed towards, and incidental to, the flow of goods and services from producer to consumer or user"\(^1\).

As far as the Agricultural Marketing is concerned, it begins at the farmer's field and involves in its simplest form the buying and selling of agricultural produce. In olden days, when the village economy was more or less self-sufficient, the marketing of agricultural produce presented no difficulty, as the farmer sold his produce direct to the consumer on a cash or barter basis. But in modern marketing, the agricultural produce has to undergo a series of transfers or exchanges
from one hand to another before it achieved three important marketing functions, viz; - (2)

- Assembling;
- Processing; and
- Distribution.

The importance of marketing of any produce cannot be overemphasized. Marketing is not selling or buying alone, it is much more than that. Marketing is a system under which comes a producer on the one side and the consumer on the other. The marketing system has to bridge the gap between the producer and the consumer so as to keep a continuous flow of different products to meet the requirements of a consumer. Thus the function of marketing is, taking the product and placing it where the consumer wants, when he wants it and how he wants. The Figure 3.1 depicts the gap between producer and consumer.

**FIGURE 3.1: Bridging The Gap Between Producer And Consumer**
EVOLUTION OF MARKET

The word market comes from the Latin word, 'marcatus', which means merchandise or trade or a place where business is conducted. In primitive age one depended on his own efforts for his requirements and there was no need for producing things for exchange and as a result of that there were no regular markets. But it was soon realized that in some form or the other, cooperation of one with another to satisfy the necessities of life was essential, which arose a need for some organization to make provision for the exchange or disposal of the goods to those who needed them. This organization was found at a central place or any other convenient place where one could exhibit his goods for sale and where buyers and sellers could meet to enter into transactions of business. Thus was evolved the market in the shape of a particular locality.

COMPONENTS OF A MARKET

For a market to exist, certain conditions must be satisfied. These conditions should be both necessary and sufficient. They may also be termed as the components of a market. These are: -

1) The existence of a good or commodity for transaction;

2) The existence of buyers and sellers;

3) Business relationship or intercourse between buyers and sellers; and

4) Demarcation of area such as place, region, country or the whole world.
DIMENSIONS OF A MARKET

There are various dimension of any specified. These dimensions are: - (4)

1) Location
2) Area or Coverage
3) Time Span
4) Volume of Transaction
5) Nature of Transaction
6) Number of Commodities
7) Degree of Competition
8) Nature of Competition
9) Stage of marketing
10) Extent of Public Intervention

CLASSIFICATION OF MARKETS

Markets may be classified on the basis of each of the ten dimensions already listed. These are: - (5)

1. On the Basis of Location

a) Village Markets: A market which is located in a small village, where major transactions take place among the buyers and sellers of a village, is called a village market.

b) Primary Wholesale Markets: These markets are located in big towns near the centers of production of agricultural commodities. In these markets, a major part of the produce is brought for sale by the producer-farmers themselves.
Transactions in these markets usually take place between the farmers and traders.

c) **Secondary Wholesale Markets:** These markets are located generally in district headquarters or important trade centers or near railway junctions. The major transactions in commodities take place between the village traders and wholesalers. The produce in these markets is handled in large quantities. There are, therefore, specialized marketing agencies performing different marketing functions, such as those of commission agents, brokers, weighmen, etc.

d) **Terminal Markets:** A terminal market is one where the produce is either finally disposed off to the consumers or processors, or assembled for export. Merchants are well organized and use modern methods of marketing. Commodity exchanges exist in these markets, which provide facilities for forward trading in specific commodities. Such markets are located either in metropolitan cities or in seaports in Bombay, Madras, Calcutta and Delhi.

e) **Seaboard Markets:** Markets which are located near the seashore and are meant mainly for the import and/or export of goods are known as seaboard markets. Examples of these markets in India are Bombay, Madras and Calcutta.

2. **On the Basis of Area/Coverage**

a) **Local or Village Markets:** A market in which the buying and selling activities are confined among the buyers and sellers drawn from the same village or nearby villages. The village market exists mostly for perishable commodities in small lots, e.g., local milk market or vegetable market.
b) **Regional Markets:** A market in which the buying and selling activities are confined among the buyers and sellers drawn from the same village or nearby villages. The village market exists for food grains.

c) **National Markets:** A market in which buyers and sellers are at the national level. National markets are found for durable goods like jute and tea.

d) **World Market:** A market in which the buyers and sellers are drawn from the world. These are the biggest markets from the area point of view. These markets exist in the commodities which have a world-wide demand and/or supply.

3. **On the Basis of time Span**

a) **Short-period Markets:** The markets which are held only for a few hours are called short-period markets. The products dealt within these markets are of a highly perishable nature.

b) **Long-period Markets:** These markets are held for a longer period than the short-period markets. The commodities traded in these markets are less perishable and can be stored for some time.

c) **Secular Markets:** These are markets of a permanent nature. The commodities traded in these markets are durable in nature and can be stored for many years.

4. **On the Basis of Volume of Transactions**

a) **Wholesale Markets:** A wholesale market is one which commodities are bought and sold in large lots or in bulk. Transactions in these markets take place mainly between traders.
b) **Retail Markets:** A retail market is one which commodities are bought by and sold to the consumers as per their requirements. Transactions in these markets take place between retailers and consumers.

5. **On the Basis of Nature of Transactions**

   a) **Spot or Cash Markets:** A market in which goods are exchanged for money immediately after the sale is called the spot or cash market.

   b) **Forward Markets:** A market in which the purchase and sale of a commodity takes place at time but the exchange of the commodity takes place on some specified date in future.

6. **On the Basis of Number of Commodities in which Transaction Takes Place**

   a) **General Markets:** A market in which all types of commodities, jaggery, etc., are bought and sold is known as general market. These markets deal in a large number of commodities.

   b) **Specialized Markets:** A market in which transactions take place only in one or two commodities is known as a specialized market. For every group of commodities, separate market exists.

7. **On the Basis of Degree of Competition**

   a) **Perfect Market:** A perfect market is one in which the following conditions hold good:
      - There is a large number of buyers and sellers;
      - All the buyers and sellers in the market have perfect knowledge of demand, supply and prices;
- Prices are one time are uniform over a geographical area, plus or minus the cost of storage from surplus to deficit areas;
- The prices are uniform at any one place over periods of time, plus or minus the cost of storage from one period to another;
- The prices of different forms of a product are uniform, plus or minus the cost of converting the product from one form to another.

b) **Imperfect Markets:** The markets in which the conditions of perfect competition are lacking are characterized as imperfect markets. The situations, based on the degree of imperfection as:-
- Monopoly Market
- Duopoly Market
- Oligopoly Market
- Monopolistic Competition

8. **On the Basis of Nature of Commodities**
   
a) **Commodity Markets:** A market which deals in goods and raw materials, are termed as commodity markets.

b) **Capital Markets:** The markets in which bonds, shares and securities are bought and sold are called capital market.

9. **On the Basis of Stage of Marketing**
   
a) **Producing Markets:** Those markets which mainly assemble the commodity for further distribution to other markets are termed as producing markets. Such markets are located in producing areas.
b) Consuming Markets: Markets which collect the produce for final disposal to the consuming population are called consumer markets. Such markets are generally located in areas where production is inadequate, or in thickly populated urban centers.

10. On the Basis of Extent of Public Intervention

a) Regulated Markets: Markets in which business is done in accordance with the rules and regulations framed by the statutory market organization and represent different sections involved in markets. The marketing costs in such markets are standardized and practices are regulated.

b) Unregulated Markets: These are the markets in which business is conducted without any set rules and regulations. Traders frame the rules for the conduct of the business and run the market.

Till the end of 19th century the problem of marketing was not a vexed one in India as our economy was largely a subsistence economy, when farmers grew crops for self-consumption rather than with a view to dispose them off in the market. But after that the revolutionary change comes on and a system of modern marketing arises, where the transfer of produce or goods takes place through a chain of middlemen or functionaries. The existing system of agricultural marketing suffers from defects and malpractices. In order to remove those defects and malpractices, the need of cooperative marketing arises. It has been accepted that cooperative form of organization can play a significant and dominant role in improving the system of agricultural marketing.

Cooperative marketing is thus defined by Margaret Digby, a Food and Agricultural Organization (FAO) expert as: "Cooperative
Marketing is the system by which a group of market gardeners join to carry on some or all the processes involved in bringing goods from the producer to the consumer\(^{(6)}\).

Cooperative marketing has been defined as per Reserve Bank of India that, "A marketing society is a cooperative association of cultivators formed primarily for the purpose of helping the members to market their produce more profitably than is possible through private trade\(^{(7)}\).

In the words of **Dantwala Committee** on cooperative marketing: - "The main object for which growers organize a cooperative marketing society is to enable them to market their produce to their best advantage and for this purpose to streamline the whole process of movement of goods to the consuming markets\(^{(8)}\).

The importance of cooperative marketing was stated as early as 1928 by the **Royal Commission on Agriculture** as under: -

"Group marketing must be more efficient than marketing by individuals, especially in conditions such as those which exist in India where the individual producer is such a small unit. The ideal to be aimed at is, therefore, cooperative sale societies which will educate the cultivator in the cultivation in the production and preparation for market of his produce and will provide sufficient volume of produce to make efficient grading possible and will bring the Indian Producer into direct touch with the export market and with the large consumer’s in India\(^{(9)}\)."
So in this regard the broader aim of cooperative marketing societies is to rationalize the whole marketing system so that it may be beneficial to the producer, by strengthening the bargaining capacity of the cultivator so as to secure him better price, to eliminate the superfluous middlemen, to provide him the needed finance, to persuade him to grow better quality of products and to stabilize prices by an orderly and judicious supply of commodities to the market.

**TYPES OF COOPERATIVE MARKETING SOCIETIES**

On the basis of the commodities dealt in by them, the cooperative marketing societies may be grouped into the following types: -

**Single Commodity Cooperative Marketing Society:** - This type of cooperative marketing society deals in only one particular agricultural commodity and gets sufficient business from the producer producing that particular commodity. For e.g. cotton cooperative marketing society and sugarcane cooperative marketing society.

**Multi Commodity Cooperative Marketing Society:** - This type of cooperative marketing society deals with the large number of agricultural commodities produced by the member. For e.g. food grains, fruits & vegetables, cereals and pulses etc.

**Multipurpose, Multi commodity Cooperative Marketing Society:** - Besides marketing a large number of agricultural commodities, this type of cooperative marketing society performs some other functions also, like; providing credit and agricultural inputs to members, etc.
MEMBERSHIP OF THE COOPERATIVE MARKETING SOCIETY

The members of cooperative marketing societies are basically of two types: -

**Nominal Members:** - under this category those traders who establish business activities with the society, are enrolled as members. But here they have neither share in profits nor the right to participate in decision-making process.

**Ordinary Members:** - Under this category, the cooperative farming societies, service societies as well as individual farmers are enrolled as members. The members of this type of society have share in the profits and have the right to participate in decision-making process.

HISTORICAL GROWTH OF COOPERATIVE MARKETING IN INDIA

The beginning of the cooperative marketing societies was made at Hubli in Bombay in the year 1915, and at Gadag, also in Bombay in the year 1917, in order to encourage the cultivation of the improved cotton introduced by the agricultural department and to sell it collectively.

Actually the development of cooperative marketing in India commenced in 1935, with the constitution of the Directorate of Marketing and Inspection at the center and its counterparts in the states on the recommendations of the Royal Commission for Agriculture. In 1945, the Cooperative Planning Committee also recommended that within ten years, 25% of the total annual marketable surplus of agricultural produce should be sold through cooperative organizations and for this purpose, a marketing society
should be organized at each of the 2000 markets in the country.\footnote{10} But the progress has not been encouraging as it's evident from the All India Rural Credit Survey Committee report. The report mentions that out of 75 districts selected for survey, only 12 reported any sales through cooperatives exceeding 1% of the total sales through all agencies. It is disheartening to know that only a few fairly successful cooperative marketing societies exist in India\footnote{11}.

Recognizing the cooperative form of organization as an indispensable instrument of planned economic action in a democracy the first five year plan clearly expressed preference for the cooperative organization of the economic activities of the people, especially in regard to agricultural marketing which formed the most important part of the developed scheme included in the plan. Despite this, the planners neglected the cooperative marketing Societies during the first plan as no specific targets in this regard were laid down by them. As a matter of fact the marketing cooperatives have been assigned importance on the basis of the recommendations of the All India Rural Credit Survey Committee report, which was accepted during the second five year Plan. In the State Ministers Conference held in 1955, it was recommended that within next 15 years, 50% of the total agricultural business credit marketing & processing should be on cooperative lines, which linked the credit with cooperative marketing of agricultural produce. The progress of cooperative marketing institutions during the first five year plan is mentioned in Table 3.1.

The perusal of the Table 3.1 states progress for various societies during this plan. At the beginning of the plan i.e. in 1951-52, the number of state marketing societies, marketing federations and primary marketing societies which was 7, 1996 and 8264 respectively, rose to
19, 2354 and 9778 in the year 1955-56, while the membership of these societies increased from 2.6, 15.13 8.45 thousand in 1951-52 to 4, 1803, 10.14 thousand respectively in the year 1955-56.

The second five year plan accordingly envisaged that about 1800 primary marketing societies, 29 processing societies, 23 apex marketing societies & 1500 godowns for primary marketing society should be organized at various markets. It was also envisaged that in each state, an apex marketing society should be set up to facilitate the working of primary marketing societies. During this planning period, on the recommendation of All India Rural Credit Survey Committee and Reserve Bank of India, special attention is given to make internal programme for developing cooperative marketing. Because, till the beginning of this plan, no effort has made to develop the structure of marketing cooperatives.

A National Level Federation known as National Agricultural Cooperative Marketing Federation was also set up during this period to promote inter-state trade and to coordinate the activities of the state marketing societies and also to provide market intelligence to farmers so as to keep them informed of the latest market situation.

By the end of the second plan, 24 state marketing societies, 171 central marketing societies and 3,108 primary marketing societies were working in the country. The cooperatives handled agricultural produce worth Rs. 174 crore at the end of the Plan.
<table>
<thead>
<tr>
<th>ITEMS</th>
<th>State Marketing Societies</th>
<th>Marketing Unions/Federations</th>
<th>Primary Marketing Societies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of societies</td>
<td>1.7</td>
<td>1.9</td>
<td>1,996</td>
</tr>
<tr>
<td>membership (In Thousand)</td>
<td>2.6</td>
<td>4.0</td>
<td>15.13</td>
</tr>
<tr>
<td>Individuals Societies</td>
<td>3.6</td>
<td>3.5</td>
<td>36</td>
</tr>
<tr>
<td>Paid up share capital (Rs. Lakh)</td>
<td>32</td>
<td>28</td>
<td>1.39</td>
</tr>
<tr>
<td>Loans issued during the year (Rs. Lakh)</td>
<td>540</td>
<td>59</td>
<td>7.12</td>
</tr>
<tr>
<td>Value of goods sold during the year (Rs. Lakh)</td>
<td>14.58</td>
<td>8.51</td>
<td>54.07</td>
</tr>
</tbody>
</table>

**Source:** Review Of The Cooperative Movement In India, 1950-52 & 1954-56, Reserve Bank Of India, Agricultural Credit Department, Bombay.
During the third planning period, an important place was given to cooperatives as a major form of organization in many branches of economic activity, especially in the field of marketing and processing. The main scheme of cooperative development in the plan is to build up an efficient structure for the cooperative marketing and processing in conjunction with cooperative credit. During the third five year plan it is proposed to start 600 more primary marketing societies in order to cover 2500 markets of the country.  

By the end of this Plan, 452 additional primary societies were organized and state partnered, thus bringing the total number of state partnered societies to 2321.

At the end of the Third five year plan the number of primary marketing societies increased to 3221, having the total membership of 21.42 lacks. During 1965-66, the last year of the third five year plan, the total agricultural produce marketed by cooperatives valued at Rs. 360 crore as against Rs. 178.65 crore in 1961-62, the first year of the Third Plan.

The essential feature of the cooperative marketing during the Fourth Plan was to strengthen the existing marketing societies at the primary level. Efforts were also envisaged to be taken to introduce grading and pooling and other improved techniques in as many cooperatives as possible, but the cooperative marketing did not make significant progress in the early years of the fourth plan.

At the end of the fourth plan the cooperative marketing structure consisted of about 173 central marketing societies, 3278 primary marketing cooperative societies, and 6 commodity marketing federations for fruits & vegetables, sugarcane etc, 20 state cooperative marketing federations and one National Agricultural Cooperative Marketing Federation.
In the year, 1973-74, the last year of the fourth plan, the total membership of all primary marketing cooperative societies was 30.77 lacks, and the total agricultural produce marketed by cooperatives at all levels during this year was of the order of Rs. 1,109.61 crore as against the target of Rs. 900 crore. The total value of agricultural produce marketed by cooperatives in 1969-70, the first year of the plan was Rs. 600 crore, which rose to Rs. 1109.61 crore in the year 1973-74, the last year of the fourth Plan (15).

During the fifth five year plan, the main emphasis in the sphere of agricultural cooperative marketing was on the consolidation and strengthening of existing societies. Additionally, societies were organized only in the cases where new secondary markets came up. It was estimated to organize 100 new marketing primaries during the fifth plan period. During the mid of this plan i.e. in 1976-77, there were 3370 cooperative societies.

During the first year of the plan, marketing cooperatives handled agricultural produce worth Rs. 1,214.91 crore against the fixed target of Rs. 1,217.95 crore. This small gap was only due to drought conditions that prevailed in most of the parts of the country.

It was the fifth plan under which a new central sector scheme for development of cooperative marketing, processing, storage and supplies in cooperatively under developed states, operated, through National Cooperative Development Corporation.

The public sector outlay in cooperative marketing during sixth plan was Rs. 178.50 crore and the anticipated achievement for agricultural produce marketed through cooperatives in the year
1979-80 was Rs. 1750 crore, while the target for 1984-85 was Rs. 2500 crore.

During the sixth five year plan, the development of agricultural cooperative marketing however, had been very uneven among different states. So in this regard the seventh five year plan aimed at strengthening the primary marketing cooperative societies and making their activity broad based. During this plan it was proposed to forge effective links between the marketing cooperatives and public sector corporations such as Food Corporation Of India, Cotton Corporation of India, & Jute Corporation of India. Close coordination was also effected among the marketing cooperatives, consumer cooperatives, civil supplies corporations and the public distribution system.

Considering their predominant role in the disbursement of production credit, the infrastructural facilities available to them and the coverage of remote areas, there was need for increasing the share of cooperatives in the overall distribution of fertilizers and other inputs in the country and developing them as complete input distribution center.

The non-availability of adequate credit at reasonable rates and margin has been a serious constraint in the expansion of cooperative marketing activities including input distribution. To expand the role of cooperatives in the distribution of inputs, it was envisaged that the Reserve Bank Of India would provide re-finance facilities to the State Cooperative Banks in respect of distribution of credit provided by them to primary agricultural credit societies for undertaking cash sales of fertilizers, seeds, pesticides and agricultural implements. Like-wise the credit policy of the Reserve Bank Of India was also to be suitably re-oriented to help the cooperatives in developing their business in the
marketing of agricultural commodities not covered by the price-support operations.

During the eighth five year plan, all the recognized viable primary agricultural credit societies were to establish farmer service centers with a view to undertaking the distribution of the entire range of agricultural inputs including chemical fertilizers, improved and hybrid varieties of seeds, pesticides and agricultural implements.

The main approach of the new economic environment during this plan was Liberalization or Deregulation, Privatization and Marketization. Marketization implies, by and large, no Government intervention and interference in the market by way of regulating market situation, enforcing administered prices, quotas etc. and thus leaving the market forces to have free play of demand and supply.

During the ninth five year plan, various efforts have been taken for the betterment of the cooperative marketing. Thrust area of the Ninth Five Year Plan regarding cooperative marketing was as follows:

1. Various concessions being provided in the field of cooperative marketing viz; -

   • Contribution of share capital;

   • Business support in terms of procurement of specific commodities;

   • Different price support operation;

   • Canalization of exports of agricultural commodities;

   • Exemption from the imposition of income tax should continue during the ninth plan.
2. Emphasis has been laid on the reduction of overhead expenses as also transaction cost and cost management.

3. Diversification of marketing cooperatives into the field of agro processing.

4. Evolving farmer's information mechanism.

5. Smooth marketing of agricultural produce.

6. Emphasis would continue to be on the availability and development of infrastructural facilities at the producer's level, market yard level and the export point.

7. Lack of adequate finances would also be tackled.

8. Lack of standard quality of agricultural commodities. Viability of cooperative marketing societies of high quality standards of commodities to be marketed by cooperatives during the ninth plan.

9. Emphasis would continue on developing cohesive functional relationship between marketing cooperatives, Agricultural Produce Marketing Committee and the Commodity Corporations during the ninth plan period.

10. There is a need to continue the policy of canalizing the agricultural exports through National Agricultural Cooperative Marketing Federation.

11. There is a need to evolve appropriate policy incentives for investment in technological up gradation for enhancing production of agro processed items.
12. Need to study the adequacy of the retail outlets of various agricultural inputs being marketed by the cooperatives.

13. Maximum emphasis would continue to be on the extension of aspect which would also cover education and training needs of the employees working in these societies \(^{(16)}\).

At the end of June, 1996, there were 29 state level state marketing federations and 157 central marketing societies having the total membership of 13,393 societies and 42,000 societies respectively \(^{(17)}\).

The growth and development of the cooperative marketing institutions over the past four decades has by and large been satisfactory. Cooperative marketing structure in India stands considerably diversified today. As the apex institution at the national level, National Agricultural Cooperative Marketing Federation occupies the pride of place in the cooperative marketing structure in our country.

Tables 3.2 and 3.3, shows the number of cooperative marketing Societies in India, the agricultural produce marketed by the cooperative marketing institutions respectively, from 1960-61 to 1999-2000. While the growth of primary agricultural cooperative marketing societies, agricultural produce marketed by primary agricultural cooperative marketing societies (all marketing), and share capital and membership growth for primary agricultural cooperative marketing societies during the last decade have been shown graphically in the Figures 3.2, 3.3, and 3.4.
### TABLE 3.2: NUMBER OF COOPERATIVE MARKETING SOCIETIES IN INDIA FROM 1960-61 TO 1999-2000

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBER</th>
</tr>
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<tbody>
<tr>
<td>1960-61</td>
<td>3,130</td>
</tr>
<tr>
<td>1965-66</td>
<td>3,254</td>
</tr>
<tr>
<td>1973-74</td>
<td>3,728</td>
</tr>
<tr>
<td>1977-78</td>
<td>3,600</td>
</tr>
<tr>
<td>1984-85</td>
<td>5,692</td>
</tr>
<tr>
<td>1989-90</td>
<td>6,872</td>
</tr>
<tr>
<td>1990-91</td>
<td>5,926</td>
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<td>1991-92</td>
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<td>1995-96</td>
<td>6,506</td>
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<td>1996-97</td>
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<td>1997-98</td>
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<tr>
<td>1998-99</td>
<td>8,801</td>
</tr>
<tr>
<td>1999-2000</td>
<td>8,801</td>
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</table>

Source: - Analytical study Of Marketing Cooperatives in India (1960-61 To 1990-91) and National Cooperative Development Corporation Annual Reports.
<table>
<thead>
<tr>
<th>YEAR</th>
<th>AGRICULTURAL PRODUCE MARKETED</th>
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<tbody>
<tr>
<td>1961</td>
<td>171</td>
</tr>
<tr>
<td>1974</td>
<td>1,089</td>
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<tr>
<td>1985</td>
<td>3,032</td>
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<td>1990</td>
<td>6,167</td>
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<td>5,929</td>
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<td>1992</td>
<td>6,502.20</td>
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<tr>
<td>1993</td>
<td>6,835.26</td>
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<tr>
<td>1994</td>
<td>7,377.56</td>
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<tr>
<td>1995</td>
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<td>1996</td>
<td>11,551.11</td>
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<td>1997</td>
<td>8,427.16</td>
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<tr>
<td>1998</td>
<td>12,007.80</td>
</tr>
<tr>
<td>1999</td>
<td>NA</td>
</tr>
<tr>
<td>2000</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: - Analytical study Of Marketing Cooperatives in India (1960-61 To 1990-91) and National Cooperative Development Corporation Annual Reports.

NA – Not Available
FIGURE 3.2: GROWTH OF PRIMARY AGRICULTURAL COOPERATIVE MARKETING SOCIETIES FROM 1990-91 TO 1998-99

<table>
<thead>
<tr>
<th>Year</th>
<th>Number (All)</th>
</tr>
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<tbody>
<tr>
<td>90-91</td>
<td>7,346</td>
</tr>
<tr>
<td>91-92</td>
<td>7,506</td>
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<tr>
<td>92-93</td>
<td>8,364</td>
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<tr>
<td>93-94</td>
<td>8,483</td>
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<td>94-95</td>
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<td>95-96</td>
<td>8,451</td>
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<td>96-97</td>
<td>8,680</td>
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<tr>
<td>97-98</td>
<td>8,871</td>
</tr>
<tr>
<td>98-99</td>
<td>8,878</td>
</tr>
</tbody>
</table>

Source: Profile Of Indian Cooperative Movement-2001, National Resource Centre, NCUI, New Delhi, p.32.
FIGURE 3.3: AGRICULTURAL PRODUCE MARKETED BY PRIMARY MARKETING COOPERATIVE SOCIETIES (ALL MARKETING) in Rs. Billion FROM 1990-91 TO 1997-98

Source: - Profile Of Indian Cooperative Movement-2001, National Resource Centre, NCUI, New Delhi, p.32
FIGURE 3.4: SHARE CAPITAL AND MEMBERSHIP GROWTH OF PRIMARY COOPERATIVE MARKETING SOCIETIES FROM 1990-91 TO 1998-99

Share Capital in Rs. Million:
- 90-91: 1,245.30
- 93-94: 2,134.20
- 94-95: 1,780.20
- 95-96: 2,273.20
- 96-97: 2,702.90
- 97-98: 2,625.80
- 98-99: 2,636.90

Membership (All) in '000':
- 90-91: 4,826
- 93-94: 4,666
- 94-95: 4,895
- 95-96: 4,983
- 96-97: 4,983
- 97-98: 4,875
- 98-99: 4,876

Source: - Profile Of Indian Cooperative Movement-2001, National Resource Centre, NCUI, New Delhi, p.33.
STRUCTURE OF COOPERATIVE MARKETING

The agricultural produce of the farmer in India passes through various stages before it reaches the ultimate consumer. With growing civilization and all round development, the producers in the field and consumers cannot afford to have direct contact with one another. Consequently intermediary agencies have come up between the producers and the ultimate consumers. Channel of marketing of agricultural produce in India is explained through Figure 3.5 given below:

FIGURE 3.5: PROCESS OF MARKETING AGRICULTURAL PRODUCE

![Diagram of marketing process]
During this long process of marketing agricultural produce from producer to consumer, various malpractices come into existence in the system of agricultural marketing. In order to remove such malpractices the process of cooperative marketing system came into existence.

The structure of cooperative marketing in India is pyramidal with National Agricultural Cooperative Marketing Federation at the national level, the state marketing federations at the state level and primary marketing societies at the market level. In a few states including Uttar Pradesh, intermediate organizations at the district level also exist. The following Figure 3.6 reveals the organizational structure of cooperative marketing in India:

**FIGURE 3.6: STRUCTURE OF COOPERATIVE MARKETING IN INDIA**

```
NAFED

State Marketing Federations

District Marketing Cooperatives

Primary Marketing Cooperatives

Primary Village Cooperatives

Cultivators

Regional Marketing Federations

Primary Marketing Cooperatives
```

There has been a controversy whether there should be a two tier or three tier structures. In this connection, *Dantwala Committee* recommended that, "The future pattern of organization of
marketing cooperatives should be a two tier structure, with the apex society at the state level, primary marketing cooperative society at the market level and branches of apex societies at the district level or regional level. Regarding the states, where a three-tier structure already exists, the arrangements need not be disturbed. But the district society should gradually divest itself of all functions which legitimately fall within the purview of primary marketing societies” (20).

The institutional structure of marketing in the cooperative sector is as under: -

1. Grower
2. Multipurpose societies at village level
3. Primary marketing societies at market level
4. District cooperative marketing federation at district level
5. Regional marketing federation at regional level
6. State marketing federation at state level
7. National Agricultural Cooperative Marketing Federation at national level

All the above tiers are not found in every state. Actually, the structure of cooperative marketing in the country has three tiers, which are as under: - (21)

- Primary marketing societies at market / taluka level;
- District or central marketing societies at the intermediate level;
- Marketing Federation at state level;
- Federation at state level

The network of the cooperative marketing societies in the country thus comprises: -
- Primary marketing society
- District regional marketing societies
- State level cooperative marketing federation
- National Agricultural Cooperative Marketing Federation

In addition there are seven state level tribal cooperative development corporations.

**PRIMARY COOPERATIVE MARKETING SOCIETIES (PCMS)**

These societies are generally situated at market level. Their main functions are:

- To undertake the marketing of agricultural produce of member growers, in the capacity of primary trader.
- To undertake the business on outright basis if financial condition is sound and if authorized to do so.
- To put up processing plant for agricultural produce.
- To distribute agricultural production requisites and also consumer goods.
- To act as an agent of the state marketing federation, National marketing federations, consumer cooperatives and public sector organizations.

The primary cooperative marketing societies exist at the base of the cooperative marketing structure and are, by and large, located at the secondary markets of wholesale assembling centers. The success of these societies generally depends on the right localities of primary
marketing societies. The marketing societies should, as a general rule, be set up in villages from where the produce comes to markets.

The membership of a primary marketing society is generally open to both agricultural credit societies and the individual cultivators in the concerned areas. Besides, members of agricultural credit societies are also entitled to the membership of a primary cooperative marketing Society. The committee on Cooperative Law observed that state governments, merchants and traders might also be its members but at the same time it suggested that merchants and traders should be admitted only as nominal members with no right to vote and no share in the dividend or bonus and with minimum say in the administration and management.

As on 30th June, 1997, there were 6,506 primary marketing societies. Out of the total number, 2,507 societies were state partnered and the total working capital of these societies was Rs. 539.90 crore and the total membership was 38.17 lakh.

CENTRAL / DISTRICT MARKETING SOCIETIES

Central or district marketing societies constitute the middle-tier in the cooperative marketing structure in India. District marketing societies exist in those states where three-tier structure of organization is found and in states where they do not exist; their functions are performed by the district branches of the state marketing federations.

The main objectives for which the district or central marketing societies are organized may be identified as follows: -
To coordinate the functions of the primary marketing societies both in regard to marketing of agricultural produce and distribution of agricultural inputs and consumer goods;

To arrange for the sale of the produce to buyers outside the districts in which the primary marketing societies operate; and

To undertake processing, where necessary.

However, in practice district marketing societies have been according high priority to the performance of business operations, more particularly to the distribution of agricultural inputs rather than acting as promotional and coordinating agency for the primary marketing societies.

Table 3.4 indicates the growth of the General Purpose district cooperative marketing societies, since 1960-61 till 1999-2000.

As on 30th June, 1994, the total membership of these societies consisted of 24.23 lakh individuals and 42,000 societies. The total turnover of these societies increased from Rs. 34.1 crore in 1960-61 to Rs. 690.03 Crore in 1994-95 (23).
TABLE 3.4: NUMBER OF DISTRICT COOPERATIVE MARKETING SOCIETIES (General Purpose) FROM 1960-61 TO 1999-2000

<table>
<thead>
<tr>
<th>YEAR</th>
<th>NUMBER OF SOCIETIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>146</td>
</tr>
<tr>
<td>1965-66</td>
<td>140</td>
</tr>
<tr>
<td>1973-74</td>
<td>147</td>
</tr>
<tr>
<td>1977-78</td>
<td>146</td>
</tr>
<tr>
<td>1984-85</td>
<td>141</td>
</tr>
<tr>
<td>1989-90</td>
<td>152</td>
</tr>
<tr>
<td>1994-95</td>
<td>157</td>
</tr>
<tr>
<td>1995-96</td>
<td>NA</td>
</tr>
<tr>
<td>1996-97</td>
<td>NA</td>
</tr>
<tr>
<td>1997-98</td>
<td>NA</td>
</tr>
<tr>
<td>1998-99</td>
<td>NA</td>
</tr>
<tr>
<td>1999-2000</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: - Analytical study Of Marketing Cooperatives In India, National Cooperative Union of India, New Delhi.

NA – Not Available

STATE MARKETING FEDERATIONS (MARKFED)

The primary marketing cooperatives are the constituent member of the state marketing federations. The main functions of the state marketing federations are: -

- To arrange disposal of members produce i.e. produce coming from the cooperative societies either in interstate or intrastate traders in the capacity of commission agents.
- To arrange distribution of agricultural inputs to the Primary cooperatives for onward distribution to the growers.
• To act as agents of various public sector corporations, state governments, state cooperative federations, National Agricultural Cooperative Marketing Federation, and National Consumer Cooperative Federation for procurement of various agricultural produce in their account.

• To render promotional services to the marketing societies, such as dissemination of market information, expert advice and guidance on marketing and processing problems.

There are four distinct patterns in the structure of membership of these functions. In the case of Andhra Pradesh the membership is confined to district marketing societies and the state cooperative banks. In Gujarat, Kerala, Karnataka, Rajasthan and Uttar Pradesh the membership is open to primary marketing societies or central marketing societies and agricultural credit societies. In Maharashtra and Tamil Nadu, membership is open to other types of societies also including agricultural credit societies. In Assam, Bihar, Jammu & Kashmir, Madhya Pradesh, Orissa and West Bengal, individuals are also entitled to the membership of marketing federations.

The membership of the state cooperative marketing federations stepped up from 5,232 in 1960-61 to 49,969 in 1994-95 (24). However the value of agricultural commodities marketed by these federations during 1992-93, 1993-94 and 1994-95 has been worth Rs. 6,835.26 Crore, 7,377.56 Crore and 9,503.04 Crore respectively (25).

**NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION (NAFED)**

National Agricultural Cooperative Marketing Federation was set up on 2nd October, 1958. It is owned and run by the farmers through
primary marketing cooperatives numbering 5,923 and 29 state cooperative marketing federations. The number of member societies for the last ten years is shown in Table 3.5.

National Agricultural Cooperative Marketing Federation promotes cooperative marketing of agricultural produce for the benefit of farmers through its 04 regional offices and 34 branches located in state capitals and other important cities.
TABLE 3.5: NUMBER OF MEMBER SOCIETIES FROM 1990-91 TO 1999-2000

<table>
<thead>
<tr>
<th>PARTICULARS</th>
<th>90-91</th>
<th>91-92</th>
<th>92-93</th>
<th>93-94</th>
<th>94-95</th>
<th>95-96</th>
<th>96-97</th>
<th>97-98</th>
<th>98-99</th>
<th>99-00</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. National level Federation</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3. Apex level Mktg. Federation In UT</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>5. Primary Mktg./Processing Societies</td>
<td>NA</td>
<td>302</td>
<td>330</td>
<td>361</td>
<td>406</td>
<td>439</td>
<td>468</td>
<td>479</td>
<td>488</td>
<td>553</td>
</tr>
<tr>
<td>6. NCDC</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>7. Government Of India</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>NA</td>
<td>346</td>
<td>377</td>
<td>409</td>
<td>455</td>
<td>489</td>
<td>518</td>
<td>529</td>
<td>538</td>
<td>603</td>
</tr>
</tbody>
</table>

Source: - National Agricultural Cooperative Marketing Federation Annual Reports (From the year 1990-91 To 1999-2000).
MANAGEMENT

The management of National Agricultural Cooperative Marketing Federation vests in the Board of Directors, elected from among the representatives of the Government of India and one each of National Cooperative Union of India, National Consumer Cooperative Federation, National Cooperative Development Corporations, Indian Farmers Federation and State Bank of India are also on its board of directors.

AIMS AND OBJECTIVES

National Agricultural Cooperative Marketing Federation aims at promoting cooperative marketing for ensuring that: -

- The farmer gets ready market and remunerative prices for his surplus produce and is motivated to increase output.
- The price-spread between the producer and the consumer is reduced, and
- The internal and foreign marketing channels for agricultural, forest, tribal and allied produce are built up through trading cooperatives on a long-term basis.

The main objectives of National Agricultural Cooperative Marketing Federation are: -

- To undertake or promote interstate import and export trade;
- To organize and develop marketing, processing and storage of agricultural, horticultural and forest produce;
- To distribute agricultural machinery, implements and other inputs;
- To act as warehouseman under the Warehousing Act and own constructs its own godown & cold storages;
- To act as an agent of the public sector organization cooperative institutions for purchase, sale & storage and distribution of agricultural, horticultural and forest produce.

At the regional level also, marketing societies have been established. The Regional / District marketing societies, wherever they exist have been mostly carrying out operations of overlapping nature and in competition with their affiliates. District federations are mainly engaged in distribution of production requisites and essential consumer articles.

**INTERNAL TRADE**

National Agricultural Cooperative Marketing Federation undertakes internal trade covering a wide range of items like food grains, pulses, spices, fruits & vegetables, eggs, tribal produce, processed foods, packaging material, organic & inorganic fertilizers, pesticides distribution and servicing of agricultural machinery etc. The internal trade of National Agricultural Cooperative Marketing Federation for the last decade has been shown in Figure 3.7.
FIGURE 3.7: INTERNAL TRADE OF NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION FROM 1990-91 TO 1999-2000

<table>
<thead>
<tr>
<th>Year</th>
<th>Jt. Venture Rs. in Million</th>
<th>Outright Rs. in Million</th>
<th>Consignment Rs. in Million</th>
<th>Total Rs. in Million</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-91</td>
<td>581.6</td>
<td>1058.7</td>
<td>174.5</td>
<td>2421.8</td>
</tr>
<tr>
<td>91-92</td>
<td>1131.5</td>
<td>1181.1</td>
<td>161.4</td>
<td>2435.6</td>
</tr>
<tr>
<td>92-93</td>
<td>1058.7</td>
<td>1131.5</td>
<td>161.4</td>
<td>2401.2</td>
</tr>
<tr>
<td>93-94</td>
<td>787.6</td>
<td>136.9</td>
<td>476.9</td>
<td>2933.4</td>
</tr>
<tr>
<td>94-95</td>
<td>1372</td>
<td>243.4</td>
<td>303.7</td>
<td>2810.3</td>
</tr>
<tr>
<td>95-96</td>
<td>384.9</td>
<td>303.7</td>
<td>124.1</td>
<td>2572.8</td>
</tr>
<tr>
<td>96-97</td>
<td>284.4</td>
<td>243.4</td>
<td>124.1</td>
<td>2078.6</td>
</tr>
<tr>
<td>97-98</td>
<td>277.6</td>
<td>260.5</td>
<td>124.1</td>
<td>2180.9</td>
</tr>
<tr>
<td>98-99</td>
<td>197.7</td>
<td>296.4</td>
<td>296.4</td>
<td>4555.8</td>
</tr>
<tr>
<td>99-2k</td>
<td>97.4</td>
<td>4162</td>
<td>4162</td>
<td>4555.8</td>
</tr>
</tbody>
</table>

Source: - Profile Of Indian Cooperative Movement-2001, National Resource Centre, NCUI, New Delhi, p.34.
PRICE SUPPORT SYSTEM (PSS) AND MARKET INTERVENTION SCHEME (MIS)

The Government of India has appointed National Agricultural Cooperative Marketing Federation as the Central Nodal Agency for undertaking purchase at minimum support price in respect of selected oilseeds and pulses. National Agricultural Cooperative Marketing Federation has also been entrusted by the Government of India with the implementation of Market Intervention Scheme in perishables and some other commodities like Isabgol.

IMPORTS AND EXPORTS

It is the registering agency for import of feed grade maize under Open Government License (OGL). It also imports bulk quantities of coarse grains like Maize and other commodities to meet the internal demand under special circumstances.

On the other hand National Agricultural Cooperative Marketing Federation is also the canalizing agency for export of Niger seed. It also exports under Open Government License (OGL), HPS groundnut, sesame seed, cotton, coarse grains, deoiled cakes, spices, fresh and processed fruits, vegetables and other agricultural, horticultural and tribal produce.

STORAGE

National Agricultural cooperative Marketing Federation has set up conventional as well as modern storage cum grading units for Onion in Maharashtra, Tamil Nadu, Karnataka and Andhra pradesh and warehouse-cum-cold storage in Delhi.
CONSUMER DISTRIBUTION

In times of scarcity National Agricultural Cooperative Marketing Federation tries to protect consumer interest by undertaking distribution of onion, potato, eggs, pulses, and edible-oils etc.

AGRO INDUSTRIES

National Agricultural Cooperative Marketing Federation runs units for processing fruits & vegetables in Delhi, Vellore and Jabli and a Rhizobium culture unit at Indore. National Agricultural Cooperative Marketing Federation helps farmers in the supply of agricultural machinery and its spare parts through its Agro service centers located in different states. In collaboration with the State Industrial Corporation of Orissa, National Agricultural Cooperative Marketing Federation has set up Konark Jute Ltd. at Bhubneshwar for augmenting supply of packing material.

TRIBAL AND FOREST PRODUCE

National Agricultural Cooperative Marketing Federation has set up a special cell to develop marketing / export of tribal and forest produce for the benefit of tribal population in the country.

AGRICULTURAL RESEARCH AND PROMOTIONAL ACTIVITIES

To carry out research and educate farmers in the production and post harvest operations of export oriented agricultural commodities, National Agricultural Cooperative Marketing Federation has sponsored a research body under the name Associated Agricultural Development Foundation (AADF). National Agricultural Cooperative Marketing Federation has also sponsored Indian Tourism Cooperative Ltd.
(COOPTOUR) to promote tourism through cooperatives. National Agricultural Cooperative Marketing Federation participates in trade fairs and exhibitions in India and abroad to project its activities. It also disseminates market intelligence and price rates to its constituents. National Agricultural Cooperative Marketing Federation brings out publications and commodity profiles for information of marketing cooperatives.

National Agricultural Cooperative Marketing Federation has completed more than four decades of dedicated service to the farming community. Indian farmers are on the march and National Agricultural Cooperative Marketing Federation is proud to keep pace with them.

FINANCIAL STATUS

National Agricultural Cooperative Marketing Federation started its activities during 1958 with a small amount of Rs. 16,000 as its share capital, which has grown to Rs. 839.19 Lakh on the close of the year 1999-2000. Its turnover increased to Rs. 581.05 Crore in the year 1999-2000, as compared to Rs. 10.16 Lakh in the year 1958-59 (26). The performance of National Agricultural Cooperative Marketing Federation in various spheres of during the last ten years is shown in Table 3.6, while its turnover during the same period has been shown in Figure 3.8.

As mentioned earlier, National Agricultural Cooperative Marketing Federation is a National Level federating agency for all sorts of cooperative marketing Institutions in general and state marketing federations in particular. However, it works as a business entity as well. The business operations of National Agricultural Cooperative Marketing Federation are performed in one or more of the following ways: -
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Share Capital</td>
<td>104.73</td>
<td>180.81</td>
<td>254.56</td>
<td>324.18</td>
<td>407.76</td>
<td>409.36</td>
<td>498.63</td>
<td>624.43</td>
<td>719.08</td>
<td>839.19</td>
</tr>
<tr>
<td>Reserve &amp; Other Funds</td>
<td>1830.46</td>
<td>2239.78</td>
<td>3401.37</td>
<td>4298.81</td>
<td>6668.29</td>
<td>8380.97</td>
<td>8854.77</td>
<td>9778.21</td>
<td>10611.39</td>
<td>10117.99</td>
</tr>
<tr>
<td>Gross Profits</td>
<td>+2566.31</td>
<td>+3050.09</td>
<td>+2954.14</td>
<td>+4343.02</td>
<td>+2879.55</td>
<td>+1810.20</td>
<td>+3703.37</td>
<td>+2140.47</td>
<td>+1314.25</td>
<td>+2937.10</td>
</tr>
<tr>
<td>Net Profits</td>
<td>+544.92</td>
<td>+1321.93</td>
<td>+1067.67</td>
<td>+2603.43</td>
<td>+2022.34</td>
<td>+550.21</td>
<td>+1231.76</td>
<td>+1131.70</td>
<td>-493.40</td>
<td>NA</td>
</tr>
<tr>
<td>Business Turnover</td>
<td>38491.21</td>
<td>45984.81</td>
<td>44195.09</td>
<td>63132.23</td>
<td>72027.21</td>
<td>61470.28</td>
<td>64290.20</td>
<td>54644.68</td>
<td>46294.03</td>
<td>58105.41</td>
</tr>
<tr>
<td>Procurement under MIS/PSS</td>
<td>4270.50</td>
<td>630.87</td>
<td>1449.94</td>
<td>4897.96</td>
<td>14715.97</td>
<td>1586.00</td>
<td>302.66</td>
<td>2301.53</td>
<td>2115.82</td>
<td>NA</td>
</tr>
</tbody>
</table>

Source: - National Agricultural Cooperative Marketing Federation Annual Reports (From The Year 1990-91 To 1999-2000)

(NA- Not Available)
FIGURE 3.8: TURNOVER OF NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION DURING 1990-91 TO 1999-2000 (Rs. In Lakh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Internal Trade</th>
<th>Foreign Trade</th>
<th>Total Turnover</th>
</tr>
</thead>
<tbody>
<tr>
<td>90-91</td>
<td>24217.96</td>
<td>14273.25</td>
<td>38491.21</td>
</tr>
<tr>
<td>91-92</td>
<td>23566</td>
<td>22418.81</td>
<td>45984.81</td>
</tr>
<tr>
<td>92-93</td>
<td>24012.75</td>
<td>20182.34</td>
<td>44195.09</td>
</tr>
<tr>
<td>93-94</td>
<td>30334.21</td>
<td>32798.02</td>
<td>63132.23</td>
</tr>
<tr>
<td>94-95</td>
<td>42134.89</td>
<td>29892.98</td>
<td>72027.47</td>
</tr>
<tr>
<td>95-96</td>
<td>28102.93</td>
<td>33367.35</td>
<td>61470.28</td>
</tr>
<tr>
<td>96-97</td>
<td>25728.57</td>
<td>38561.63</td>
<td>64290.2</td>
</tr>
<tr>
<td>97-98</td>
<td>20786.56</td>
<td>33857.82</td>
<td>54644.38</td>
</tr>
<tr>
<td>98-99</td>
<td>21811.7</td>
<td>24482.36</td>
<td>46294.06</td>
</tr>
<tr>
<td>99-2k</td>
<td>45559.29</td>
<td>12546.12</td>
<td>58105.41</td>
</tr>
</tbody>
</table>

Source: - Website of National Agricultural Cooperative Marketing Federation.
Business On Outright Basis

In order to ensure remunerative prices to the cultivators for their farm produce, National Agricultural Cooperative Marketing Federation has been making commercial purchases of agricultural commodities from the very beginning. During the period 1995-96 and 1996-97, National Agricultural Cooperative Marketing Federation purchased agricultural and horticultural commodities worth Rs. 20.21 Crore and Rs. 25.73 Crore respectively (27). Commodities covered under this scheme included: paddy, rice, wheat, barley, jowar, maize, oil-seeds, pulses, spices and a host of horticultural produce.

Business On Joint Venture Basis

Business on joint venture basis is a device through which efforts are made to promote inter-cooperative relationship of diverse types such as: -

- Managerial relationship
- Constitutional relationship
- Financial relationship
- Relationship in the areas of consultancy services, administrative services etc.

Business On Agency Basis

Under this form of business operations, purchases are made on commission basis in the capacity of National Agricultural Cooperative Marketing Federation; it is generally the Government of India for which National Agricultural Cooperative Marketing Federation works as an agent generally for undertaking purchases of a number of agricultural
commodities. In the recent years, National Agricultural Cooperative Marketing Federation has been making purchase of various oil-seeds such as: groundnuts, soyabeen, sunflower seeds, mustard seeds etc. as a procurement agent of the Government of India.

**Business On Consignment Basis**

Under this form of business operations, National Agricultural Cooperative Marketing Federation attempts to assists its constituents and other marketing cooperatives in the disposal of their stock on consignment basis in various terminal markets.

During the last two decades, National Agricultural Cooperative Marketing Federation has expanded and diversified its activity many folds and has, of late, emerged as the largest institutional agency engaged in the onerous task of safeguarding the interest of both producers and consumers. National Agricultural Cooperative Marketing Federation attempts to establish meaningful Coordination and liaison among the institutions working at various levels of cooperative marketing structure in our country. Thus, its links go deep into the village, reaching a large mass of farmers.

In order to ensure remunerative prices for farm produce and safeguard the interest of cultivators against undesirable practices of traders, National Agricultural Cooperative Marketing Federation makes outright purchase of agricultural commodities. During the period 1991-92 to 1999-2000, various activities regarding the handling of agricultural and horticultural produce by National Agricultural Cooperative Marketing Federation is given in Table 3.7(A) & 3.7(B).
TABLE 3.7 (A): AGRICULTURAL PRODUCE HANDLED BY NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION FROM 1991-92 TO 1999-2000 (IN Rs. Crore)

<table>
<thead>
<tr>
<th>YEAR</th>
<th>FOOD GRAINS</th>
<th>PULSES</th>
<th>OILSEEDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>5.88</td>
<td>53.25</td>
<td>71.58</td>
</tr>
<tr>
<td>1992-93</td>
<td>19.95</td>
<td>47.60</td>
<td>68.80</td>
</tr>
<tr>
<td>1993-94</td>
<td>6.13</td>
<td>38.82</td>
<td>92.60</td>
</tr>
<tr>
<td>1994-95</td>
<td>4.90</td>
<td>53.03</td>
<td>93.82</td>
</tr>
<tr>
<td>1995-96</td>
<td>11.30</td>
<td>42.40</td>
<td>127.48</td>
</tr>
<tr>
<td>1996-97</td>
<td>34.78</td>
<td>56.64</td>
<td>175.25</td>
</tr>
<tr>
<td>1997-98</td>
<td>46.27</td>
<td>50.69</td>
<td>106.27</td>
</tr>
<tr>
<td>1998-99</td>
<td>40.30</td>
<td>36.06</td>
<td>99.87</td>
</tr>
<tr>
<td>1999-2000</td>
<td>47.71</td>
<td>114.66</td>
<td>156.43</td>
</tr>
</tbody>
</table>


TABLE 3.7 (B): HORTICULTURAL PRODUCE (ONION & POTATO) EXPORTED BY NATIONAL AGRICULTURAL COOPERATIVE MARKETING FEDERATION FROM 1991-92 TO 1999-2000

<table>
<thead>
<tr>
<th>YEAR</th>
<th>ONIONS (Rs. Crore)</th>
<th>POTATOES (Rs. Lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>162.79</td>
<td>132.75</td>
</tr>
<tr>
<td>1992-93</td>
<td>167.40</td>
<td>114.84</td>
</tr>
<tr>
<td>1993-94</td>
<td>250.12</td>
<td>78.20</td>
</tr>
<tr>
<td>1994-95</td>
<td>257.00</td>
<td>352.77</td>
</tr>
<tr>
<td>1995-96</td>
<td>312.78</td>
<td>356.01</td>
</tr>
<tr>
<td>1996-97</td>
<td>336.56</td>
<td>610.02</td>
</tr>
<tr>
<td>1997-98</td>
<td>293.76</td>
<td>33.00</td>
</tr>
<tr>
<td>1998-99</td>
<td>231.00</td>
<td>48.93</td>
</tr>
<tr>
<td>1999-2000</td>
<td>116.76</td>
<td>165</td>
</tr>
</tbody>
</table>

FINANCING FOR MARKETING COOPERATIVES

Finance is the life-blood for all sorts of business operations. No business operations can ever be conceived without arranging adequate finance for it. The need for the expansion of business activities of the cooperatives is keenly felt. Marketing societies are also handling various agricultural commodities. This is possible only with adequate finance. So, credit is an inevitable factor for the development of cooperative marketing society. There is no denying the fact that cooperative marketing institutions do fall broadly under the category of business enterprise. As far as adequacy of finance is concerned for marketing cooperatives, no cut and dried formula could yet be developed. This is precisely because there is no uniformity in the business operations performed by the marketing cooperatives. On the basis of the functions performed by them, marketing cooperatives may broadly be classified into three categories: -

- Societies which undertake sale of produce of their members mostly on commission agent basis;
- Societies which undertake outright purchases on large scale; and
- Societies, which are required to make large scale purchases under government procurement or Price Support Schemes.

The requirement of finance amongst these societies depends upon a variety of factors such as: -

- Turnover of the society,
- Traditional practices followed by the society,
- Method of operation followed by the society,
- Volume of business of the society,
• Range of tasks undertaken by the society, and

• Availability of the services of honorary office bearers.

So, the financial requirements of marketing cooperatives can be categorized into following heads:

• Long-term financial requirements, and

• Short-term financial requirements.

Long-term / Short-term Financial Requirements

The long-term financial requirements for marketing cooperatives generally consist of funds, which are required for:

• Purchase of initial equipment, furniture etc;

• Investment in the shares of district cooperative banks, State/District marketing societies, processing societies, wholesale consumer stores etc;

• Depositing security deposits with government or other suppliers for supply of goods etc;

• Acquiring transport vehicles;

• Establishing processing units for processing of agricultural produce; and

• Construction of godowns, for storage of agricultural produce, agricultural inputs and consumer goods etc.
On the other hand, short-term financial requirements for marketing cooperatives required funds for:

- Grant of advances to members on the pledge of their agricultural produce pending its scale;
- Providing the customary trade credit to the buyers of the produce;
- Making, where necessary, outright purchases of agricultural produce from its members;
- Undertaking purchase under government procurement or Price Support schemes;
- Stocking agricultural requisites like fertilizers, seeds, insecticides, implements etc; to the extent they are not available on credit or consignment from government;
- Stocking essential consumer articles in common demand for distribution in rural areas through village societies; and
- Running expenses on staff, hiring of building and godowns, contingencies etc.

Sources Of Finance

The main sources, from which marketing cooperatives raise their funds, are categorized under two heads:

- Internal sources
- External sources
Internal Sources

Internal sources of finance for marketing cooperatives, which raised / generated internally by the societies, through the following: -

(a) Share Capital: - Shares issued by the marketing cooperatives form the first important source of internal financing. The contribution of state governments in the share capital of the marketing societies generally has been more than the share of their members.

(b) Deposits: - Deposits form yet another source of internal finance for marketing cooperatives. The importance of deposits lies not only in strengthening the financial position of the cooperatives but also as a valued instrument of promoting thrift amongst the members.

(c) Reserve and Owned funds: - The Owned funds of marketing societies consist of Statutory funds like Reserve funds and other funds created out of their profits. Reserves and other owned funds have got their own importance in the financing of a business enterprise. Sound position of Reserves and owned funds provides sound financial base on the one hand and enables the enterprise to borrow more working capital for its business, on the other.

External Sources

External sources of finance are relatively more important than the internal sources, for they account for a dominant portion in the overall financing of the cooperatives.

An external source of finance generally consists of the following items: -
**a) Pledge Advances Against Goods:** Advances against the pledge of goods, generally known as pledge advances, constitute the first important source of external financing for the marketing cooperatives. In a pledge advance, the title of goods comes in the sale custody of the financing back or jointly with the institution financed. It is customary for the financing banks to insist on a margin of 25% of the goods to provide for fluctuation in prices, driage etc.

**b) Hypothecation Advance Against Goods:** The second source of external finance for the marketing cooperatives is advance to the cooperatives against hypothecation of their goods. This source is very much similar to the first source, but one basic difference between the two is that unlike pledge advance, in this case the goods remain with the borrower, as there may be practical difficulties in giving the goods in pledge. In such cases, the banks obtain a deed of hypothecation deriving title to the goods. In order to ensure that the goods are advisable, banks obtain periodical statements and also undertake inspection of the goods at frequent intervals.

As the goods are not in the actual custody of the financing institution, it is customary for the banks to insist on 40% margin, which is increased further in the case of perishable commodities or those subject to violent fluctuations in their prices.

**c) Clean Advances:** Clean advances form yet another source of external finance for the marketing cooperatives. When a borrower society is unable to give any tangible security, a clean advance is sanctioned. In this case, the accommodation is based mainly on the past performance of the borrowing institution, its present financial standing and genuineness of the need looking to its programme of activities.
The agencies, which take part as external financing agencies for, the marketing cooperatives are: -

- State Bank Of India (SBI);
- District Cooperative Banks (DCBs);
- National Cooperative Development Corporation (NCDC), and
- State Governments.

BUSINESS OPERATIONS OF MARKETING COOPERATIVES

Business practices of marketing cooperatives generally revolve round the principal functions to be performed by them. Each one of the functions has its own importance in realizing the avowed objectives of marketing cooperatives; however, a review of the actual operations of most of the cooperative marketing societies brings to light the fact that by and large they have adopted only five functions as their real business operations. These are: -

(1) Commission Agency: - The majority of marketing societies are functioning as commission agents. Under this practice, a cultivator may bring the produce to the market where the headquarters of a marketing society are located or may arrange to send the produce through the service of cooperative society of which he is a member. The marketing societies then arrange for the sale of the produce. The sale generally takes place by open bid, depending on the local market practice. The marketing society charges a small amount as commission for the services rendered in arranging the sale. The payment is made to the cultivators immediately after the weighment of the produce, or after a few days depending on the market practices.
(2) **Outright Purchases:** - Farmers with limited marketable surplus usually do not go to the agricultural markets for selling their produce, but dispose of their produce on outright basis in their own village or in the neighbouring weekly markets. To facilitate the marketing of the produce of such cultivator members, the marketing societies also have to undertake outright purchases; the goods are either purchased in the village itself by the marketing societies own agents or through the agency of Village Service Societies. Under this system of operation the payment is made on the spot.

(3) **Pledge Advances:** - A marketing society usually advances pledge loans in those cases where a cultivator feels that the prevailing market price is not favorable to him while he needs some money for his domestic needs urgently. Such advances are generally to the extent of 75% of the value of produce pledged. The purpose of providing such advances is to strengthen the holding power of the cultivator so as to prevent distress sales immediately after harvest and thus secure a fair price for his produce.

(4) **Trade Credit:** - It is the result of the marketing society's excessive dependence on traders for disposal of their produce. In most of the agricultural markets it is customary for the marketing societies to allow trade credit to the wholesale buyers of agricultural produce sold by the society. The period of such trade credit generally ranges between 2 and 15 days depending upon the prevalent local practices. To avoid the risk of civil litigation, in case a merchant fails to pay the amount within the stipulated time, he is enrolled as a nominal member of the marketing society.

(5) **Grading And Pooling:** - Grading, a hallmark of a marketing and a pre-requisite for quality control of any commodity, is a form of market
discrimination which attempts to differentiate between different types of
demands for a particular product and ensures the supply of products of
chosen quality to satisfy these demands. Not only does it allow different
qualities of product to find their best market but it also affords an
opportunity to promote the sale of any exceptional quality and charge
different price for it.

On the other hand, pooling envisages that the produce brought
by an individual grower would be sorted out into separate grades and
that he would be given certain amount as an advance price. The
produce of each grade would then be pooled and if necessary process
and finally disposed of in the most favorable market over a period of
time. At the end of the period, the grower is paid back the average
pooled price based on the gross earnings in respect of each grade
minus necessary incidental and handling charges by the cooperatives.

INSTITUTIONS IN COOPERATIVE MARKETING

The present structure of cooperative marketing consists of three
types of institutions working at different levels. These are: -

1. Primary marketing societies at the base or grass-root level;

2. District or central marketing societies at the district or taluka *
   level; and

3. State federations at the state level.

Thus, for the present, two major institutions are at work in the
field of cooperative marketing—state federations at the state level and
National Agricultural Cooperative Marketing Federation at the national
level. The discussion on, "Institutions in Cooperative Marketing" would
decidedly remain inconclusive without referring yeoman's rule played by
the National Cooperative Development Corporation in promoting and strengthening Cooperative Marketing Movement in the country. As it is already explained National Agricultural Cooperative Marketing Federations and State Federations in the previous portion of this chapter, hence now a detailed analysis of the National Cooperative Development Corporation has been explained.

**National Cooperative Development Corporation (NCDC)**

The National Cooperative Development Corporation was established under a special Act of Parliament in 1962 from the erstwhile Development and Warehousing Board set up by the Government of India in 1965 in pursuance of the recommendations of the All India Rural Credit Survey Committee, 1954.

**Objectives**

The main objective of the National Cooperative Development Corporation is to plan and promote programmes through cooperative societies for:

(a) The production, processing, marketing, storage, export & import of agricultural produce, foodstuffs, poultry feed and notified commodities; and

(b) The collection, processing, marketing, storage and export of minor forest produce.

**Functions**

In order to accomplish the aforesaid objectives, National Cooperative Development Corporation has to undertake a number of functions. National Cooperative Development Corporation Act, 1962 underlines the following functions of National Cooperative Development Corporation: -
1. To advance loans or grant subsidies to state governments for financing cooperative societies and for employment of staff for implementing programmes of cooperative development;

2. To provide funds to state governments for financing cooperative societies for the purchase of agricultural produce, foodstuffs and notified commodities on behalf of the central government;

3. To plan and promote programmes through cooperative societies for supply of seeds, manures, fertilizers, agricultural implements and other articles for the development of agricultural produce;

4. To provide loans and grants directly to the national level cooperative societies and other cooperative societies having objects extending beyond one state;

5. To provide loans to cooperative societies on the guarantee of state governments or in the case of cooperative societies in the union territories, on the guarantee of the central government; and

6. To participate in the share capital of the national level cooperative societies and other cooperative societies having objects extending beyond one state.

**Thrust Areas Of NCDC**

The corporation continued its endeavor to promote and finance cooperatives in the agriculture and allied sectors to maintain and sustain growth, besides augmenting income of small and marginal farmers as well as weaker sections of the society.
Under the agriculture and allied activities in the cooperative sector, National Cooperative Development Corporation thrust has been on following fields: -  

- Financing cooperative marketing;
- Facilitating the growth of horticulture marketing in cooperative sector;
- Promoting direct marketing of fruits & vegetables;
- Paving way for the establishment of the horticulture federations;
- Assistance for creating storage capacity;
- Financial Assistance to cooperative sugar factories;
- Financial assistance to cooperative spinning mills;
- Assistance to oilseed processing units;
- Assistance to the Particle Board Project;
- Assistance to farmer’s service cooperatives;
- Financial assistance for agro-custom hiring centers;
- Margin money assistance to Regional Agro Industrial Development Cooperatives (RAIDCO’s);
- Liberal funding for under developed / least developed states;
- Implementing projects with assistance from International funding agencies; and
- Paving way for Integrated Cooperative Development Projects (ICDP)
The Financial assistance provided by National Cooperative Development Corporation for Marketing Cooperatives is illustrated in Table 3.8.

As far as the assistance is concerned regarding marketing of fresh fruits & vegetables through cooperatives by National Cooperative Development Corporation, it sanctioned Rs. 1190.23 lakh and released Rs. 169.621 lakh, respectively in the year 1991-92. This figure rose to Rs. 52.48 crore and Rs. 1.52 crore respectively in the year 1999-00 (29).

### TABLE 3.8: FINANCIAL ASSISTANCE PROVIDED BY NATIONAL COOPERATIVE DEVELOPMENT CORPORATION FOR MARKETING COOPERATIVES FROM 1991-92 TO 1999-2000

<table>
<thead>
<tr>
<th>YEAR</th>
<th>FINANCIAL ASSISTANCE (Rs. Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991-92</td>
<td>NA</td>
</tr>
<tr>
<td>1992-93</td>
<td>NA</td>
</tr>
<tr>
<td>1993-94</td>
<td>286.72</td>
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<tr>
<td>1994-95</td>
<td>386.26</td>
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<td>1995-96</td>
<td>362.78</td>
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<tr>
<td>1996-97</td>
<td>301.59</td>
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<tr>
<td>1997-98</td>
<td>338.87</td>
</tr>
<tr>
<td>1998-99</td>
<td>367.66</td>
</tr>
<tr>
<td>1999-2000</td>
<td>NA</td>
</tr>
</tbody>
</table>

**SOURCE:** National Cooperative Development Corporation, Annual Reports from 1990-91 To 1999-2000.

NA- Not Available
CONCLUSION

India is primarily an agricultural country and agriculture is the backbone of Indian economy, contributing a major share in the national income and providing employment to more than 60% of the working population and accounting for a sizeable share of the country's foreign exchange earning. Though the traditional marketing system failed to provide needed marketing support for progressive agriculture that is why with the recommendation of several committees and commission marketing cooperatives came into existence.

The initial impulse of cooperative system in the country was organization of agricultural credit societies only, but cooperative societies Act of 1912, enabled formation of non-credit society's also—including marketing societies. At the initial stage cooperative marketing societies did not receive any attention of the farmers as well as of the government. So for this, in 1918, the Maclagan Committee made a reference to cooperative societies for the sale of agricultural produce, which was reiterated by Royal Commission on Agriculture by giving more emphasis on group marketing rather than marketing by individuals.

The Dantwala Committee on agricultural marketing pointed out various instances of foreign countries where marketing cooperatives had done yeoman's service, and opined for the economic benefit of cooperative marketing in the country by providing educative influence to the farming community regarding marketing of agricultural produce.

The Cooperative Planning Committee in 1945 had shown great concern for improvement of agricultural marketing in the country and had desired that at least 25% of agricultural marketing surplus should
be marketed by cooperative marketing societies. But the real history of cooperative marketing in this country starts after the Rural Credit Survey Committees Report in 1954, which laid three fundamental principles of cooperative development, namely:

- State partnership at different levels
- Full linkage between credit, marketing & processing.
- Management of these societies through adequately trained and efficient personnel.

Cooperative marketing got really a boost when organization of cooperative marketing societies was adopted as a planned programme of the government.

The governments, before and after independence have played an active role in encouraging people to form marketing cooperatives. Since mid sixties, marketing cooperatives have been projected as instruments of social change and some economic benefits. They are not seen as enterprise which must bring financial gain to their members. Thus marketing cooperatives promoted by people to fulfill their needs, especially in rural areas.

However, majority of the primary marketing cooperatives did not possess any innate strength or real capabilities and they engage in the activities of supplying agricultural inputs, which hardly provide any real basis for them to stand up and take on the competition in an unregulated market place.

In 1991, the Indian economy was under pressure due to economic crisis characterized by Balance of Payment problem, disrupted industrial production and budgetary deficit. The over all policy frame was changed and there was radical departure from the past and the
highly restrictive foreign investment and regulatory industrial and trade policies were given up. During that period the main thrust was on Liberalization, Privatization and Marketization, so that to survive in the economic environment.

In various segments, the cooperatives have emerged as strong and viable organizations but mostly of the marketing societies are financially weak and their existence is at the mercy of government support. The major weakness are primarily due to their working in isolation, weak federation, declining patronage, government interference, lack of personal management, poor absence of infrastructural facilities at grass root-level and low competitive strength. Besides the financial help provided to the marketing cooperatives for strengthening their education, training and professional Management Institutes is not enough.

Despite this, the National Agricultural Cooperative Marketing Federation being the national apex organization for marketing cooperatives in the country has been rendering varied and valuable services to the farmers for over four decades.

Facts and events show that National Agricultural Cooperative Marketing Federation has been progressively steadily on onward March. Starting with a meager share capital of Rs. 16000 in 1958-59, this has increased to Rs. 839.19 lakh in 1999-2000, and repaid a large part of Governments and National Cooperative Development Corporations share capital. Since its inception, the business of National Agricultural Cooperative Marketing Federation has been steadily on the path of acceleration, which is evident from the fact that in first year its business was of Rs. 10.16 lakh only and now its business has gone up as high Rs. 58105.41 Lakh in 1999-2000.
The main classification of its business operations are outright purchase and sale of agricultural produce, transaction on account of Price Support Scheme and Market Intervention Scheme of Government Of India and state governments, and playing crucial role under Price Support Scheme of the Government Of India, by appointed as Nodal Agency for procurement of various major commodities.

National Agricultural Cooperative Marketing Federation also plays an important role in marketing of various agricultural commodities both in the internal and external trade. The main items of internal trade are food grains, pulses, oilseeds, spices, fruits and vegetables, tea, cotton etc, while the external trade consists of oilseeds, onion, garlic, potato, fresh fruits and vegetables, pulses, spices, processed foods cotton etc. National Agricultural Cooperative Marketing Federation is keen to increase its exports and it is exploring new markets and establishing business links with buyers.

In short term National Agricultural Cooperative Marketing Federation has served the purpose and earned a place for itself in the national agricultural economy. The cooperative spirit has been low and the organization had not developed the conventions necessary for a cooperative organization. In spite of being a big organization it has failed to develop a pro active share in deciding its activities and look towards the governments offers. As a result it is caught in a “Dependence Trap”. National Agricultural Cooperative Marketing Federation is handling a large number of agricultural commodities and each commodity has its specific features, which reflected in terms of National Agricultural Cooperative Marketing Federation’s focus on efforts towards production enhancement, Price support and exploring avenues for export.
The primary marketing cooperative societies are also members of National Agricultural Cooperative Marketing Federation but these primaries are not getting a fair margin for the services rendered by them nor the apex body has concentrated on developing business with its members and builds itself as a leader of the cooperative marketing structure.

The political pressure has been a significant factor and the Board of Directors does not participate effectively to ensure and support the members need. The cooperative spirit is low and its leaders popularly known as cooperative leaders, have not developed the conventions necessary for a cooperative organization. The general feeling is that the National Agricultural Cooperative Marketing Federation is an agency of the government to implement its policies. From its inception, National Agricultural Cooperative Marketing Federation has failed to develop participation of members in deciding business policies. Operational planning and management is not very encouraging. Due to excessive government control, the National Agricultural Cooperative Marketing Federation lacks consistency in its policy. Lack of clear cut perception of responsibility, poor Market Information System and lack of objectivity in personal matters are other limiting factors.

The government is working on a national policy for marketing cooperatives which will preserve the distinct identity of cooperatives and the values and principles on which they are based. This policy is important through which the government will position marketing cooperatives in various segments of national economy. This policy should spell out the support and assistance of the government in clear terms.
Besides, the government should take a pragmatic view by inducing cooperatives to prepare a time bound programme by which they would be able to make themselves financially viable and would be totally independent of government support.
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