CHAPTER ONE

REVIEW OF LITERATURE
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The word agriculture, since long has been associated with the industry of basic food production, known as farming. Agriculture and farming were synonymous till farming was not commercialized and was done more or less on a subsistence basis. With the passage of time various problems arise, mainly concerned with the farmers' effort to make a living, like production, finance and marketing etc. Sadhu & Singh (1991) *(1)*

Out of these mentioned problem, attention has paid mainly on production and financing of agriculture, but less attention has been paid on the marketing of agricultural produce, which is a matter of great interest to the farmer, the consumer and the middleman.

With the advance in intensive cropping: processing, storage and marketing of agricultural produce are becoming more and more important. In the absence of sound marketing facilities, the farmers have to depend on local traders and middlemen for the disposal of their farm produce which is sold at throw-away prices Sadhu & Singh (1991) *(2)*. So it is need of the hour for an orderly and efficient marketing of food grains which will play an important role in solving the problem of hunger.

All marketing activities classified into three major processes of concentration, equalization and dispersion. The process of concentration is essentially one of assembling and procurement, while the equalization process consists of those activities which match the flow of production with the rate of consumption and finally one can say that the dispersion process is the counterpart. Keeping in view these
three process of agricultural marketing, Richard Kohl (1955) \(^{3}\) opined three approaches to the analysis of marketing problems of agricultural produce, which are The Functional Approach, The Institutional Approach and The Commodity Approach, and summed up his study by concluding that all these three approaches are necessary to obtain the most complete understanding of marketing, and Functional analysis have meaning only when combined with Institutional and Commodity analysis.

The agricultural marketing plays an important role in stimulating production and consumption, and accelerating the pace of economic development in the countries where resources are primarily agricultural. On the basis of, Intensive Agricultural Development Programme experience, Elmer. R. Kiehl (1969) \(^{4}\) explained that the "marketing problem" begins to emerge in the process of shifting from traditional to modern agriculture because of production surpluses generated by the shift.

Though the idea of marketing agricultural produce, which is the performance of business activities, is complex in nature, may arise two types of problem. First is the problem of marketing output in terms of consumer satisfaction and second is the problem of doing this with a minimum of expenditure of economic resources. For this, need of an efficient marketing system arise which can be important means for raising the consumer satisfaction, and further leads to the optimization of resource use and output management.

India is essentially an agricultural developing economy where the agriculture remains the main occupation of large majority of Indians in one way or another. So for this, efficient agricultural marketing system plays an active role as a key component for accelerating agricultural
production and promoting economic growth and appropriate agricultural marketing policy expand trade demands both at home and in the international market. Raj. Krishna. Raj (1963) opined that this trade demand results in better prices of their produce to sustain the emerging process of commercialization, because it is now well recognized that farm production in developing countries is responsive to price.

Though, traditional marketing system is too ill organized, too ill equipped and too exploitative to provide needed marketing support for progressive agriculture. So for this, a new kind of marketing organization is needed to market farms products collectively by its member’s patrons for direct benefit without having any involvement of intermediaries. This will leads to the evolution of marketing agricultural produce in a cooperative way through marketing cooperatives.

Cooperatives in India were established initially in the domain of rural credit because of the exploitation of the farming community by insensitive moneylenders. Later the concept was extended to credit sectors through the Acts of 1912 and 1919. The past few decades have witnessed substantial growth in the sector and diverse areas of the economy now come under its span and spread, however, the significance of the basic cooperatives principles of self reliance and democratic functioning have suffered eclipse and are left to occupy printed space only.

There has been a flood of writing on Agricultural Cooperative Marketing the world over. However, in India, the work done is very limited and the subject definitely needs greater attention. Let us review the literature available in India.
Marketing of farm products is a matter of great interest to the farmer, the consumer as well as to middlemen. This makes marketing a significant part of the modern production process. J.C. Sinha (1976) thinks that if the process of marketing fails to achieve its objective, and, if goods and services do not reach the consumer on demand, production by itself will hardly suffice. It is the marketing of the agricultural produce which helps make the goods useful to society, getting them when and where they are wanted. But then, Atul Sinha (1985) thinks this to be a long process. He warns against various malpractices. Also the system of agricultural marketing is subject to changes and modification, because of change in production and marketing situations, as well as, in economic policies. B.B. Mukherjee (1960) in this connection notes, that, the system of agricultural marketing in India is saddled with a long chain of middlemen who demand remuneration for their service. This burdens the consumer, though the producer derives no benefit at all.

Of course, to overcome these problems a process of cooperative marketing was visualized. Farm producers had to be provided improved services at reduced costs (B.V. Narayanswamy and P.S. Narsimhan). Also, to further economic development and social justice agricultural produce had to be channelized through cooperative institutions (S.S. Acharya and N.L. Agarwal, 1994). However, it was also found that most of the cooperative societies in the country did not undertake any marketing of agricultural produce. Also those extant marketing societies needed to be involved with societies that dealt with farming, and finance (Navinchandra Joshi, 1993).

In fact, there is an utter need to establish more Multipurpose Marketing Cooperatives so that farmers could have the advantage of a
single-window-system for all their economic needs. One thesis on Cooperative Marketing concludes that the present system of cooperative Marketing is dysfunctional and lacks professionalization (Khursheed. A. Mahajan, 1991) (12). Furthermore professionalism is an essential feature of modernization. In this context there is a suggestion that management of cooperatives increasingly requires professionally competent and cooperatively oriented personnel for integrated cooperative development. Indeed, cooperatives are diversifying and becoming multidimensional. They shall and must emerge as a strong business enterprise (D.R.Oza, 1989) (13). But there is also a suggestion that in pursuit of professionalism, cooperative values and principles should not be discarded because these values and principles are in real sense a unique management resource. Properly applied they can provide a competitive advantage to the cooperative positioning in the market place and its utilization of human resources (R.V. Misra, 2000) (14). Three approaches have been suggested for ushering in professionalism in the management in cooperatives: the Historical process approach, next the Logalistic approach, and finally the Strategic Management approach. It is further suggested that these approaches will succeed only when, a code of conduct is evolved and observed by the elected leadership, secondly, management performance of cooperatives is periodically audited and results placed before the membership financing bodies, and, finally, governments are discouraged to depute their personnel to main key positions in cooperatives (K. K. Taimani, 1988) (15).

In India, cooperatives often do not work with true spirit. The primary reasons are, first, absence of democratic participation, and, second, management by the state bureaucracies. Excessive state
interference in the working of the cooperatives is a major constraint. Various reasons thwart the evolution of democratization of cooperative societies. Politics and use of unfair mean endanger the management of societies. Central and state governments are keen on the democratic functioning of cooperatives. They do want better management and employ professionals for the purpose. This endeavor has to succeed; otherwise deofficialisation will have no meaning (J. C. Rout, 1996) (16). Excessive control and interference are repeatedly pointed out. Infact, comprehensive amendments in the present Cooperative Societies Act will be in keeping with the national policy of decontrol and deregulation (B. S. Vishwanathan, 1996) (17).

Agriculture has many dimensions and it is an interdisciplinary subject. Having this in mind, Government of India has formulated its New Agricultural policy, which does refer formulated its New Agricultural Policy, which does refer to marketing. But this hardly does justice to the subject of cooperative marketing. So for this, (P. R. Dubhashi, 1994) (18), in his article suggested that it is necessary for the future of cooperative Agricultural Policy, the general statement of agricultural policy must be supplemented by the detailed policy statement about each of the major aspects of which marketing is one of the most important.

Cooperation as a socio-economic phenomenon has two very important implications: cooperation as a movement, and, cooperation as an economic system. Under both implications the human factor as well as common economic interest of the members is the motive force. There is need, therefore, for some external and internal stimulus. The stimuli obviously come from proper leadership. For this reason Cooperatives should give extra care and attention to the
aspirations of weaker sections. This will provide these sections greater opportunity to participate in the management of cooperatives (G.M.C. Balyogi, 2001) (19).

Cooperation like other democratic organization have to rely, not only for their progress in desired direction, but also for their basic survival, on such leaders who can ensure sound management and continuity of the organization. Leadership therefore is very crucial for the success of cooperatives, because a cooperative is often entirely in true sense not based on force, favour of dependent on the vision, integrity and courage of the person who leads it. Force, favour or factionalism is against the very ethos of a collective working together with utmost cooperation. The success of cooperatives is directly proportional to example the leader sets in cooperation. Leadership is as important to a cooperative as is autonomy. The leader must be absolutely clear about what does the cooperative aim at what do its members want? He must always use his human influence to hold the members together and keep them motivated. It is only this that can make a Cooperative Movement achieve its objectives and become self-governing and self-reliant. Therefore, leadership and autonomy are the main stay of a cooperative society (D. Jha and S. K. Jha, 1998) (20).

Leadership assumes greater significance when competition is stiff. Current challenge to the Cooperative Movement is from private enterprise, as well as from globalization and the privatization of world economies. What is needed is the promotion of participation and democracy because only then cooperatives will be able to compete with private and global operators. Legislation should be less regulatory and still less intrusive. It should aim at facilitating cooperative operation
rather than seek to control it. It should only curb vested interest and defends the weaker member (John Rouse, 1997)\(^{(21)}\).

The liberalization of the Indian economy since 1991 has brought about drastic structural changes in the total economic structure, which lead to many changes in the strategies of Marketing cooperatives too, to improve their competitiveness. The national and state governments have assisted these cooperatives in various forms, but their activities branded as failures. For this (K. Janardhan 2001),\(^{(22)}\) opined that these cooperatives in various aspects of their businesses, restructure their ideology with firm determination.

Over a decade has passed since India launched its New Economic Policy. Its primary aims were to privatize, liberalize and globalize. This radically transfigured the economic environment in the country. This is necessary because India did not want itself to be left out of the international economic scenario. However the change has become a challenge to the Cooperative Movement. Of course such apprehensions have been shrugged off. It is being said that though liberalization has exposed marketing cooperatives to added competition, yet, it is also true that vast opportunities for growth and expansion too have been made ready and available (Brij. Bhadi, 1997)\(^{(23)}\).

There is the national policy on cooperatives, which needs faithful implementation, so that it will transform the Cooperative Movement and give it new impetus. The Cooperatives will then emerge as effective instruments of socio-economic transformation, and also, the onslaught of competition from the multinationals shall be effectively withstood (Ajit Kumar Singh, 2000)\(^{(24)}\).
Infact, in the ongoing liberal economic environment, cooperatives have to take concerted effort to reorient them and adopt structural functioning techniques. In order to strengthen the professional capacity of cooperatives, maximum emphasis is being laid on professionalization, be it of the management, or the members, or the cooperative’s work force (S.S. Sisodia, 2001) (25).

Of course, sky is the limit for rural marketing in India, where cooperative societies can provide a vast network for the marketing of agricultural produce (V.P. Sharma, 2001) (26). In a developing country like India, farmers cannot estimate the real benefits from a gush in production. What is needed is an effective marketing outlet that will look after the welfare of the members, and, the performance of cooperative societies. Various committees have recommended focus on both economic viability and serviceability of cooperative in order to assess their performance. However there is a suggestion that this assessment should be made on the basis of serviceability rather than viability (Sanjoy Roy, 2001) (27).

Due to an increase in yield and pro-rata decline in price, as well as a weak bargaining position vis-à-vis middlemen, the latter have been exploiting the farmer over decades. Here, the role of cooperatives is salutary. As effective marketing agencies, they can protect the interest of the farmer. Agricultural marketing cooperatives should be allowed to work as autonomous cooperative marketing agencies. This would help carry on business on the basis of principles of cooperation (Rais Ahmad, 1996) (28).

However, all said and done, cooperative marketing has as yet not been able to achieve the expected results. Its help has proved inadequate to the rural farmer. Government purchases and price
interference in the working of the cooperatives is a major constraint. Various reasons thwart the evolution of democratization of cooperative societies. Politics and use of unfair mean endanger the management of societies. Central and state governments are keen on the democratic functioning of cooperatives. They do want better management and employ professionals for the purpose. This endeavor has to succeed; otherwise deofficialisation will have no meaning (J. C. Rout, 1996)\(^{(16)}\). Excessive control and interference are repeatedly pointed out. Infact, comprehensive amendments in the present Cooperative Societies Act will be in keeping with the national policy of decontrol and deregulation (B. S. Vishwanathan, 1996)\(^{(17)}\).

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role. They help capture all shades of opinion. The instruments of propaganda are only to be effectively tapped. Newspapers, magazines, journals, radio and television can help reach a vast public. Therefore, cooperative leaders and officials need to be educated about the great benefits of advertisement because money spent on advertisement is never a wasteful expenditure (M. Nazeer, 1998).

In recent years, economy has undergone a sea change. Cooperatives and public sector institutions, which earlier enjoyed a good deal of protection, have now to face stiff competition from private trade. Sacred preserves of the public sector and cooperatives have now been thrown open to private enterprise. Cooperative marketing institutions whose main source of revenue was from agricultural input marketing are now expected to rub their shoulders with private dealers who do not only extend liberal credit to the farmers, but also provide many supportive services. Therefore, the staff of marketing cooperatives requires being re-trained. It must adapt itself to the needs of a fast changing market scenario. Existing employees need upgrading of skills and fresh blood must also be inducted. This would improve the working of the organizations (Priyadarshni Thakur, 2000).

The Cooperative Movement after a stormy journey through the last century has now entered the new millennium. Today, the Movement has been acknowledged as an effective instrument of socio-economic transformation of rural areas. The Movement is also concerned about the impact of the World Trade Organization agreement on agriculture. The ongoing economic and financial sector reforms and the recent General Agreement on Tariff and Trade / World Trade Organization have brought about tremendous opportunities to agro production and exports. But this would eventually mean
dismantling of the agro credit and post harvest financing system that has helped achieve self sufficiency in food crops. It is feared that if the reforms processes are taken to their logical end this advantage could be nullified (Proceedings of a Regional Workshop, April, 1998) (33). Under one of its provisions developing countries like India have agreed to remove quantitative restriction on the impact of a large number of agricultural commodities. This would protect the farmer’s interest if there is a sudden upsurge in imports. The World Trade Organization has prescribed certain obligations also, so one has to take necessary steps to acclimatize the farming community and the rural based industrial units with the competitive provisions of the Organization’s agreement on agriculture. Greater emphasis will have to be laid on the promotion of professional management and on up-gradation of technology, including Information Technology. This applies to various segments of the Cooperative Movement and should include cooperative marketing also, only then operational efficiency and cost effectiveness would improve (S.S.Sisodia, 2001) (34).

From the above discussion it is evident that although some studies have been done in India on the functioning and performance of agricultural marketing cooperatives, detailed attention has not been given to the involvement of the government or to its intervention in marketing cooperatives. This apart, the progress of Sale and purchase primary marketing cooperatives and primary horticultural marketing cooperatives has not been considered at all. India’s production of food grains and horticultural produce has increased substantially, but it unable to make better condition of the Indian producer. The broad objective of the present research, therefore, is to pinpoint the loopholes and bottlenecks in the working system of agricultural marketing
cooperatives and suggest remedial action. The remedies suggested should help achieve triple objectives of Cooperative Movement. Only then business will be better, living will improve, and, finally the motto of Cooperative Movement becomes fruitful. The future of Indian farmers depends upon a viably effective marketing infrastructure that profitably supports agricultural production. Mere increases in production have not at all improved the economic conditions of the farmer. In fact, marketing technology must precede production technology. Only thus would cooperatives emerge as effective instruments of socio-economic transformation withstanding the onslaught of the severe competition from private traders.
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