CHAPTER - IV

AGRICULTURAL COOPERATIVE MARKETING SOCIETIES -
STRUCTURE, FUNCTION AND ADMINISTRATIVE CONTROL
The genesis and development of Agricultural Cooperative Marketing Societies during the Five Year Plans and financial assistance by the State

The connotation of the term 'marketing' has widened considerably over the last two decades. Today, marketing is a complicated concept which not only includes purchase and sale of goods but also various business activities and processes that are involved in bringing the goods from the producer to the consumer. Thus marketing consists of a group of activities such as (i) collection of surplus from the individual farmers, (ii) transport to the nearest assembling centre, (iii) grading and standardization, (iv) pooling, (v) processing, (vi) warehousing, (vii) packing, (viii) transportation to the consuming centres, (ix) bringing the buyers and sellers together and (x) sale to the ultimate consumer. All these functions require capital and also involve risks due to fluctuation in prices, loss and deterioration in quality, etc. The arrangements made for raising the requisite finance for the above activities barring the market risks at various levels, also form part of the marketing functions.

It is necessary to consider why cooperative marketing has been developed as a more efficient alternative to the system of organised private marketing. The main object for which growers organise 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 the goods to the consuming markets. To achieve this objective, the marketing societies can provide credit to the members on the security of their produce and thus generate necessary power of holding stocks till the optimum price is obtained. They can arrange for the storage of their produce and introduce a system of grading of the produce which fetches better price. The marketing societies can also evolve a system of pooling of produce and can also arrange export of some of the produce to the foreign countries having good potential markets.

The need for cooperative marketing arises from a variety of factors. These factors are, inter alia, connected with the defects and mal-practises in the existing system of agricultural marketing, as obtaining in Indian conditions. The damaging effect of these malpractices is further aggravated by the fact that a large number of cultivators in the country is indebted to the traders who belong often to the money-lending class. Describing the tremendous influence of these trader-cum-money-lenders, the All-India Rural Credit Survey Committee remarked that 'often enough the cultivator's position is that of having
to bargain if he can, with someone who commands the money; commands the credit; commands the market and commands the transport.2

In the context as detailed, the cherished hope of a producer lies in organising cooperative societies by joining hands with his fellow producers to undertake the preparation, production and sale of various agricultural commodities to his best advantage and to perform all other allied functions as may be conducive to better production and better business.

The organisation of cooperative marketing societies is justified not only for the current dependence upon the exacting and acquisitive propensities of the traders but also for the purpose of reducing the price-spread between the producer and the consumer and thereby ensure a better return to the primary producer, without affecting the interest of the ultimate consumer. If all the marketing functions as stated earlier such as assembliny, processing, financing, transportation, etc. are performed by the growers themselves on cooperative basis they will not only secure considerable potential benefit but also acquire a business oriented outlook. Ultimately this may go a long way in achieving

2. All India Rural Credit Survey Committee (1954, p.104).
the desired break-through in the conservative attitude of the agrarian economy.

Promotion of cooperative marketing deserves high priority, not merely because cooperative marketing is desirable as such, but also because it is an essential pre-requisite for the large scale expansion of the cooperative credit envisaged, particularly in view of the prevent shift in the emphasis from land to crops as the main security. Cooperative marketing societies not only ensure a better return to the farmer on the produce raised by him after borrowing finance from the cooperative credit societies, but can also provide blanket mechanism for recovery of productive credit.

The concept of linking marketing with credit cooperative societies has since been emphasized upon for the hard reality that unless proper and remunerative marketing arrangement is ensured for the agricultural produce, the farmers will never be in a position to repay the farm credit borrowed from the credit societies. Thus with the rapid advancement of technology, if the production yield is not increased in a large proportion from each crop year, the incremental income of the cultivator will never be sufficient to enhance the repaying capacity of the farmer and ultimately free him from the rural indebtedness which is the ultimate goal of our planned economy.
A strong and organised private trade channel is working in India for years together. This trading sector always exploits the farmers by making less payment for the agricultural produce, hoard them in their godowns, create an artificial demand thereby and then hike exorbitant prices from the customers. Thus on the one hand they betray the cultivators and on the other hand they considerably reduce the purchasing power of the consumers affecting them adversely. The only way to break this organised vicious trading channel, ties in developing the cooperative marketing societies.

State partnership

The concept of State partnership in cooperatives rests on the postulate that unless at the very start there were a minimum of financial resources at the disposal of the society, it would never get going, let alone become successful; and to the extent it would appear to be lagging behind, the State should step in as a partner and make up the gap. The All India Rural Credit Survey Committee realised that the cooperative institutions created to handle marketing and processing should be such as to be effective against the competition and opposition of the private trade and other group interests. This could only be possible if the cooperatives were organised as a very big unit having sufficient financial resources, technical expertise and
optimum conditions for their effective working. Obviously at the initial stage, the internal resources of the cooperatives could not be sufficient to handle. Hence the Committee felt that it was imperative that these institutions should be helped at the initial stage from extraneous sources. The Committee opined that only the State was in a position to provide such assistance of the magnitude it required and thus help the cooperative institutions to withstand the pressure of vested interests.

During the Second Five Year Plan period, 1969 primary cooperative marketing societies were either organised or re-organised and the Apex Marketing Societies were set up in all the States, except in Jammu & Kashmir. A National Agricultural Cooperative Marketing Federation was also set up to promote the inter-State and all other trade and to coordinate the activities of the Apex Marketing Societies and also to provide market intelligence to them. By the end of Second Plan there were 24 Apex Marketing Societies, 171 Central Marketing Societies and 3108 primary marketing societies in the country.

The Third Five Year Plan stressed the importance of vigorous development of a large cooperative sector as an essential prerequisite of a society based on democracy and socialism. It envisaged that cooperatives should become progressively the principal basis of organisation in branches of economic activities
like agriculture, minor irrigation, small industries, processing, marketing, distribution, rural electrification, housing and construction and production of essential amenities for local communities. Even in the sphere of the medium and large industries and transport industries, an increasing range of activities can be undertaken on cooperative lines. Development of cooperative marketing was given a place of special importance in the scheme of integrated rural credit envisaged in the Third Plan not only because it was desirable as such, but because it was an essential pre-condition for introducing a large scale inspection of the cooperative credit and agricultural production. The success of cooperative credit programme would inevitably depend on the development of marketing societies which will act as the channel for the recovery of credit extended by the service societies and will also enable the farmer to get a better return for his produce and to plough back the surplus for increased agricultural production.

Progress in the first 4 years of the Third Plan

Against the target of organising 544 new primary marketing societies, 395 societies were organised in the first four years of the Plan and it was stipulated that 90 more societies would be organised during the year 1965-66.
During the year 1964-65, the cooperatives had marketed agricultural produce worth about Rs 301 crores as against Rs 224 crores during 1963-64.

**TABLE - I**

Value of agricultural produce marketed by cooperatives during 1964 - 65.

( Rs in lacs )

<table>
<thead>
<tr>
<th>STATE</th>
<th>WEST BENGAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary Marketing societies</td>
</tr>
<tr>
<td>-------</td>
<td>----------------------------</td>
</tr>
<tr>
<td></td>
<td>224.02</td>
</tr>
</tbody>
</table>

**TABLE - II**

Value of agricultural produce marked by the Cooperatives - trend of progress during 1961 - 1965

( Rs in lacs )

<table>
<thead>
<tr>
<th>Year</th>
<th>Primary Marketing societies</th>
<th>Other processing societies</th>
<th>P.A.C.S.</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>19.40</td>
<td>13.03</td>
<td>3.14</td>
<td>35.57</td>
</tr>
<tr>
<td>1962-63</td>
<td>35.40</td>
<td>5.95</td>
<td>2.96</td>
<td>44.32</td>
</tr>
<tr>
<td>1963-64</td>
<td>32.18</td>
<td>4.38</td>
<td>5.36</td>
<td>41.92</td>
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<tr>
<td>1964-65</td>
<td>224.02</td>
<td>1.81</td>
<td>24.88</td>
<td>250.71</td>
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### TABLE - III

Progress of affiliation of credit societies to marketing societies

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Agricultural credit societies</th>
<th>Number of credit societies affiliated to the marketing societies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>11,016</td>
<td>1,720</td>
</tr>
<tr>
<td>1962-63</td>
<td>12,368</td>
<td>2,546</td>
</tr>
<tr>
<td>1963-64</td>
<td>13,040</td>
<td>3,280</td>
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</table>

### TABLE - IV

Progress of linking cooperative credit with cooperative marketing

<table>
<thead>
<tr>
<th>Year</th>
<th>Total no. of primary marketing societies</th>
<th>Out of which State partnered</th>
<th>No. of marketing societies recovering loans given by credit societies</th>
<th>Amount of S.T. and M.T. loans advanced by credit societies</th>
<th>Total amount of loans recovered</th>
<th>Out of which amount of loans recovered by marketing societies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961-62</td>
<td>276</td>
<td>85</td>
<td>2</td>
<td>45,729</td>
<td>32,592</td>
<td>4</td>
</tr>
<tr>
<td>1962-63</td>
<td>277</td>
<td>99</td>
<td>6</td>
<td>55,422</td>
<td>40,200</td>
<td>34</td>
</tr>
<tr>
<td>1963-64</td>
<td>291</td>
<td>130</td>
<td>6</td>
<td>63,900</td>
<td>54,935</td>
<td>61</td>
</tr>
</tbody>
</table>
Review of performance

While a network of primary marketing societies at most of the secondary markets, the Apex Marketing Societies at the State level and a National Federation have been established, the societies have made very slow progress in the actual marketing of the agricultural produce. Though the growth had been striking in terms of their number and coverage of mandis and villages, the impact made by the marketing societies on the trade of agricultural commodities had not been much significant, barring a few notable exceptions. Most of the primary marketing societies did not effectively cover all the villages in terms of membership of growers and collection of agricultural produce. They confined themselves only to a few members and a few villages. It may be mentioned that much of the progress achieved by the marketing societies was in areas where the State also had given them a privileged position. The cooperatives in several States had the monopoly in the distribution of nitrogenous manures and fertilizers and in distribution of some consumer goods such as sugar. In West Bengal particularly, the marketing societies were given a major role to play in paddy procurement and jute procurement in collaboration with the Food Corporation of India and the Jute Corporation of India. Thus in foodgrains distribution also they often enjoyed the privilege of acting as a sole agent or a protected agency for procurement on behalf of
the Government.

Regional imbalances have been marked in the limited progress made by these marketing societies. Of the agricultural produce worth ₹92 crores marketed by primary marketing societies and central marketing societies in 1963–64, societies in six States viz. - Maharashtra (31 percent), Gujarat (12 percent), Mysore (11 percent), Madras (11 percent) and Uttar Pradesh (10 percent) accounted for as much as 75 percent. Out of the agricultural produce worth ₹301 crores marketed by all the cooperatives during 1964–65, the societies in seven States viz. - Uttar Pradesh (28 percent), Maharashtra (21 percent), Gujarat (11 percent), Madras (9 percent), Mysore (7 percent), Punjab (6 percent) and Assam (6 percent) accounted for 38 percent. As against this, the value of the agricultural produce marketed in Orissa, Rajasthan and West Bengal accounted for 0.5 percent, 0.5 percent and 0.3 percent respectively. Apart from this uneven development among different States, there have been imbalances in different areas and among different types of societies within the same area in different States.

Food crops, which are major agricultural crops grown, accounted for only ₹40 crores in 1963–64 and ₹99 crores in 1964–65 representing 13 percent and 35 percent respectively of the total value of agricultural produce marketed by
 cooperatives. Even the limited progress in 1964-65 was mainly
due to State partnership in assisting the cooperatives with
Government procurement operations.

Of the 3166 primary marketing societies all over India,
only 2276 societies undertook only marketing business. Of
these, only 609 societies (19 percent) had business turn over
of ₹ 5 lacs and above. 480 out of this 609 societies were in
five States viz. – Maharashtra (125), Uttar Pradesh (84),
Rajasthan (74), Mysore (69), Gujrat (66) and Punjab (62) while
Bihar, Kerala and Orissa had only 1, 4 and 11 such societies
respectively. Even in terms of membership, while Uttar Pradesh
and Madras had an average of 2661 and 2029 individual members
respectively per marketing society, Bihar, Assam, Rajasthan
and West Bengal had an average of only 3, 107, 110 and 164 res-
pectively. About one-third of the total marketing societies
did not do any marketing business. The average share capital
per society ranged from ₹ 50,000/- in Uttar Pradesh to
₹ 10,000/- in West Bengal.

Pattern of organisation of coopera-
tive marketing and processing
societies at various levels

Cooperative marketing in India follows the usual pyramidal
structure with the National Agricultural Cooperative Marketing
Federation at the national level, the State Marketing Federa-
Federation at the State level and primary marketing societies at the Mandi level. The pattern is the same in West Bengal.

Before we take up a review of the progress made by the cooperative marketing societies in West Bengal, it will be worthwhile to consider the major items of functioning of cooperative marketing societies.

The model bye-laws prepared by the Committee on Cooperative Law listed the following objects for marketing societies:

1. to arrange for the sale of agricultural produce of the members or purchased by the society and for this purpose (a) to prepare the produce for markets by sorting, grading, packing and re-packing, (b) to transport the produce from members' residences firm or godowns to markets;

2. to encourage members to grow improved and standardized varieties of produce;

3. to expand deposits and to borrow funds from the Central Cooperative Bank to which it is affiliated;

4. to advance loans to members on the security of their produce, raw or processed;

5. to run or own godowns, processing houses and cold-storages to facilitate storage, processing and
selling of goods;

(6) to process the raw materials belonging to the members or purchased by the societies and for that purpose to own or hire processing plants and machineries;

(7) to procure and supply the members fertilizers, manures, seeds, implements, etc.;

(8) to act as an agent for the Government for the procurement of agricultural produce and to supply all requisites for agricultural produce;

(9) to encourage thrift, self-help and cooperative amongst its members;

(10) to work in collaboration with the Central Cooperative Bank to which it is affiliated and rural credit societies which are affiliated to it so as to link up supply to credit by the credit societies to member-producers with the marketing of their produce and for that purpose to act as an agent of the credit societies for recovery of lands;

(11) to act as a warehouseman under the Warehousing Act; and

(12) to undertake all other activities calculated to further the objectives of the society.3

The diagram below indicate the structural links of the cooperative marketing societies:

National Federation of Agricultural Cooperative Marketing Societies

State Federation of PACMS —— State Federation of PACMS —— State Federation of PACMS

Regional Branch ——— Regional Branch

Block-level of PACMS ——— Block-level of PACMS ——— Block-level of PACMS

PACS PACS PACS PACS PACS PACS

Finance for Cooperative Marketing Societies

The internal resources of the marketing cooperative societies may be mobilized by raising funds in the following way:

(a) share capital from members and member-State Governments;
(b) deposits from members;
(c) reserves created out of profits earned;
(d) borrowing from cooperative financing agencies or the State Bank of India; and
(e) loans and grants from State Governments.
The channels of finance, as indicated above, are the major repository from where the internal resources of the cooperative societies may be substantially augmented. The borrowings from different banks, either cooperative or commercial, may, however, be treated as external resources.

It is an extremely important function to precisely ascertain the requirement of finance for a marketing society. The correct estimates of such financial involvement may be determined from certain factors as its total monthly turnover, the mode and procedure of its business transactions and also the traditional marketing practices such as trade credit, etc. as prevalent in different areas. Another determination is the terms and conditions on which they are able to obtain agricultural requisites and consumer goods for distribution. The establishment cost including the salary of the staff to be maintained should be also commensurate with the volume of business the society is in a position to undertake. The marketing cooperatives usually undertake the following functions:

(1) sale of produce of their members mainly on commission agency basis,

(2) outright purchases of certain agricultural commodities on a large scale; and
(3) make large scale purchases as a procurement agency of the State Government in order to implement a price support schemes as envisaged by the Government from time to time.

The concept of making a cooperative society economically viable has become quite old, but so far as its implementation is concerned, the concept is more and more becoming a cliche. However, all efforts should be made to ensure that a primary marketing society, over a reasonable span of time, should render the important service of marketing and distribution adequately to the largest number of farmers possible, without depending too much on continuous siphoning of funds from the State Government except during the nascent and gestation period.

In recent times most of the marketing societies in West Bengal are performing the function of procurement of paddy, wheat and jute as agents of the Food Corporation of India, the Agriculture Department and the Jute Corporation of India respectively. For the purpose of such procurement, almost the entire amount of requisite finance comes from the Food Corporation of India and in case of procurement of jute, the finance percolates from the Jute Corporation of India through the State-level Cooperative Marketing Federation. If we analyse several sets of data regarding their performance in this respect over a period of last few years, it will be apparent that the quantity procured and
the value of sales effected are remarkably increasing every year but the doubt persists regarding the intent these marketing cooperatives are rendering services to their producer members by way of arranging sale of the agricultural produce of their members at a remunerative price at the most opportune moment. In this context one cannot exaggerate the foul underplay of activities of the organised sector of the private trade channel which is still continuing the practice of forward purchases by way of advancing substantial quantum of money to the producers at the very beginning of the harvesting season. Thus very little are left to the agriculturists including those who are members of the primary cooperative societies for affecting sale of their produce to the cooperative itself and are thus prevented from obtaining the reasonable and remunerative price. Thus while the basic function of the marketing cooperatives has relegated to the secondary importance, the societies remain satisfied by acting as procuring agency of the State Government by selling some allotted quota of commodities at a Government-fixed rate. Thus neither the desired service is given to the agriculturists nor the marketing societies are in a position to function on the sound lines of either business management or cooperative enterprise.

Regional Disparities and the Cooperative Sector

Disparities in regional resources and differences in the levels of development in the various States present a formidable
challenge to the equalising process of planning. Besides variations in cultural pattern may even widen the already existing disparities. As Myrdal points out economic policies have necessarily to discriminate between industries, groups and areas. In this sense, the whole country cannot constitute one non-discriminated area for economic development. While explaining the regional imbalances, we have to firmly bear in mind this aspect of constraints in the sphere of a balanced economic development.

While the National Cooperative Development Corporation allocates funds for the development of marketing and processing societies every year for the whole country, the existing infrastructure as well as potentiality for future development should be duly taken account of while allotting funds to the different States. The case of West Bengal as such demands special and separate attention in this respect.

Every year the National Cooperative Development Corporation extends substantial financial assistance for the organising, renovation and expansion of the different cold storages and rice mills in West Bengal. It is true that the State Government is not always in a position to utilise the entire funds given by the National Cooperative Development Corporation for such purposes. Despite this limitation for the last two years, West Bengal is coming up with the implementation of expansion id
development programme in respect of organisation of a large number of cooperative cold storages as well as rice mills. In Birbhum, there was already a cooperative cold storage in the Kotasur Block. It is heartening to note that another completely modernized large cold storage has been set up in the cooperative sector in Bolpur during the last year and the installed capacity of the cooperative cold storage is being fully utilised over the past few years. It is one of the best ways to divide the mill into more rational economic origin for the purpose of national planning which may be to minimize the pressure of political "me-too" claims advanced by the States which are at present treated as separate units for the purpose of planning. This may go a long way for reducing the regional imbalances in the field of economic growth far more effectively.

Major Problems facing the Marketing Cooperative Sector

The cooperative marketing societies in West Bengal, and also in India, have to face the major problems as outlined below:

(1) The inefficiency of, and the extortionate practice, in the existing marketing arrangement;

(2) the need for processing facilities, usually at factory level, if there is any manufacturing unit, to enable the sale of the products to be made directly to the consumer;
(3) the lack of local marketing facilities; and
(4) the increasing need for good quality and for sale by grade.

While dwelling upon the problems encountered in the process of handling the marketing of agricultural commodities, it is observed that in nearly all the tropical and sub-tropical countries, cash crops are marketed through the cooperative sector unless they are produced on estates or plantations so large that processing and handling can be carried out economically by the estate itself. Estate production is still generally the rule with tea in Asia and Africa. Cash crops like paddy, jute, tobacco and sugar are usually marketed through the cooperative sector on a substantial scale in different parts of India. For West Bengal, processing on a large scale by the cooperative marketings are only taken up in case of jute. Accordingly all the primary level marketing cooperatives in West Bengal have set up jute baling, grading and processing units.

The Panel of Experts on Cooperative in a meeting held at Geneva from 3rd to 8th December 1962 sponsored by the International Labour Office in their Working Paper published in 1963 observed that "in the developing countries marketing cooperatives have played a vital role in the initial streamlining of the production and in the standardization of the quality of these cash crops where they are peasant grown".
While trying to analyse the situation in West Bengal, it appears that the above general observation does not hold good. Unfortunately here in West Bengal, neither the streamlining of the agricultural produce by the members of the marketing co-operatives takes place nor the quality of the cash crops are standardized to the desirable extent, though the fact remains that these crops are definitely peasant grown. One of the main reasons for the above situation as obtaining in West Bengal has already been indicated earlier in some other para of this chapter. To recapitulate the same, the organised private trade channel operating in the field for more than a century have not parted with their controlling influence in the field of sale of agricultural produce. The big traders and mahajans still carry on the practice of "forward purchase" of the main cash crops viz. - paddy and jute at the very time of harvesting the same, not to speak of the final stage of production. The cooperative marketing societies are expected to get rid of these vicious agents effectively, but they are yet to make any substantial headway. The reason can be explained in the following words. Most of the poor cultivators have very little resources of their own even to start cultivation of their traditional crops like paddy and jute. The cooperative credit structure also is not strong enough to fully cater to the financial needs of the farmers. The reason is obvious. Most of the poor farmers have to look forward and depend upon the private traders who also act as money lenders and provide th
with necessary funds at an exorbitant rate of interest for starting cultivation. The cultivators cannot help either but going to those traders for initial capital for starting cultivation, however paltry the amount may be.

Before we go into the operational part of the problem of cooperative marketing, it is discussing certain further points regarding the financial stake of these cooperatives which has been toneted upon in the foregoing paragraphs. The marketing cooperatives require heavy capital investments of three kinds viz. (1) fixed capital, for buildings and other capital equipments; (2) working capital, meant for wages and other recurring expenditure; and (3) short term capital for essential advances to members. Regarding meeting the capital requirements for the purpose as enumerated in items 1 and 2, which are being provided by the State Government under different schemes, those are of non-recurrent nature. Now the third item poses a real problem. Advance to members may be in the form of a part payment on the value of the produce delivered to the society, but before it has been processed or sold. This system is prevalent in West Bengal and is called pledge loan against hypothecation of the produce supplied to the marketing society by the cultivator-members. There may be a payment in advance of delivery to enable the member to buy seed or fertilizer, to pay his labour or for his own subsistence until harvest. The funds required for this last purpose and the period for which they are needed vary with
circumstances. The degree to which the marketing society will be responsible for financing not only its own operations but also those of its members, will also vary with the degree to which their sources of capital are open to them. In the event of there being well developed thrift and credit banks or on occasions marketing boards constituted and financed by government and the State Government itself, the marketing society may have no or immediate responsibility in this field at all. In the case of West Bengal, while the cooperative marketings are engaged in the procurement operation of paddy or jute, in both the cases, the Food Corporation of India and the Jute Corporation of India, i.e., the government constituted institutions provide the whole or major portion of the funds required for such operation. Often any interest is also not charged on these funds given to the cooperatives.

Usual basis of cooperative finance is the share capital contributed by the members with limited liability. Unless the share capital base is strengthened sufficiently by way of contribution from members of the cooperative society, the strain and constraints on resources will persist. On the other hand, despite good intention, the poor farmer members have little money at their disposal to invest as share capital in these cooperatives.
But the problem of mobilising the produce of the members to the marketing society for the purpose of proper arrangement of sale at reasonable prices overwhelms the other part of the problem of the paucity of funds available for the activities of the cooperative society.

Field experience reveals, it is hardly feasible persuade 50 percent of the member-cultivators agree to the proposal of selling their entire agricultural produce to the local cooperative marketing society. Till such time it is ensured, possibility will be remote utilising the cooperative marketing societies for the real purpose it is meant for. The inhibiting factor again is the same, the influence of the outgrowing majority of the private traders operating in the field. In order to solve this problem, it is imperative to attach the problem from the very fundamental premise of providing the total credit requirement to each and every individual farmer for his cultivation in order to motivate the members of the cooperatives to deliver their agricultural produce to the marketing society for sale to the consumer at an optimum price structure.

Steps towards structural re-organisation

In order to eradicate the malpractices resorted to by the organised sector of the private trade channel, it is bounden that immediate steps are taken to remove the existing
snags and revamp the marketing structure in the cooperative sector by evolving ways and means to develop the operational efficiency to such a higher level as to compete with the existing trade channel at par.

As the entire hinterland of agricultural commodity markets is already covered by one or primary marketing society or the other, no further new societies are generally organised now except in tribal areas which were either uncovered earlier or where re-organisation of societies has been contemplated on the recommendations of the Bawa Committee. New societies should be organised only in areas where new secondary markets are coming up or which cannot be covered effectively by the existing societies for handling certain specialized commodities such as fruits and vegetables. One emphasis underpinned during the Fifth Five Year Plan is to strengthen and develop the existing marketing societies so as to considerably reduce the regional imbalances. In order to streamline the structure it is essential to increase the efficiency of the business operation of the societies and provide them the required technical guidance and assistance for improving their operational efficiency. During the year 1976-77, the State Governments were advised to remove the middle tier district societies, the functions of which legitimately include those of the primaries or the State level Federations.
While re-organising the structure, it is important to bear in mind that the function of the marketing societies should not be restricted to the marketing of agricultural produce only but also to be adequately diversified in manifold spheres of activities. The first constraint towards this is the acute dearth of capital base. In view of the limitations of raising additional share capital by the State level Federations from their affiliated societies which were themselves weak and considering the need for large capital base for enlarging and diversifying their marketing, processing, supply and other activities, the State Governments continued to provide additional share capital from year to year in greater quantum to the State Marketing Federations and in increasing proportions without prescribing any ratio between the Government's and members' share capital contributions. By the end of 1974-75, the total share capital subscribed by the Government rose to Rs 2972.56 lacs from Rs 1098.58 lacs in 1969-70 i.e. over a span of 5 years.

While admittedly the problem of adequate finance persists under the norms prescribed by the Reserve Bank of India, credit accommodation has already been conceded to. Prior to this revised prescription, a society would not be granted clean and pledge loan credit limits simultaneously. However, in order to give scope to the marketing societies to broaden their capital base to the extent required and in view of the need for larger resources to achieve the expansion programmes, the Reserve Bank
of India made the following relaxations in respect of the above
norms, on a temporary basis as early as in the year 1966:

(a) Clean limit can be extended alongwith a pledge or
hypothecation limit, provided it is ensured that the
pledge/hypothecation limits are allowed to exceed
three times/one and a half times respectively of
the disposable owned funds of the borrowing society;

(b) The margin for pledge and hypothecation advances may
be revised upto 5 and 15 per cent respectively if the
loans are entirely granted by the Government or if the
business of the borrowing society is entire on Govern-
ment account; and

(c) Clean advances may be granted to marketing societies
upto twice their owned funds on Government guarantee.

The Reserve Bank of India has been expanding these
relaxations from time to time and the last extension expired
on 31.3.77. At the same time in the context of broad-basing
the constricted resources and also in view of the limits for
raising additional share capital, the Reserve Bank of India
pending there decision in the matter, allowed to continue these
relaxations even beyond March, 1977.

Incidentally, it may not be out of place to give an
indication below about the progress achieved in West Bengal
in the field of agricultural cooperative marketing

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<thead>
<tr>
<th>1. Number of members</th>
<th>1976-77</th>
<th>1977-78</th>
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</thead>
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<td>(a) Societies</td>
<td>278</td>
<td>278</td>
</tr>
<tr>
<td>(b) Government</td>
<td>1</td>
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<thead>
<tr>
<th>2. Share Capital</th>
<th>4.07</th>
<th>4.41</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>3. Sale of fertilizer and other agricultural inputs</th>
<th>11.71</th>
<th>12.29</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>4. Sale of agricultural produce</th>
<th>6.48</th>
<th>6.02</th>
</tr>
</thead>
</table>

In order to increase the operational efficiency of the marketing cooperative sector it is essential to create a common cadre of key personnel, technically trained and fully equipped with the latest technique and strategy to meet the challenge of the coming decade. Accordingly a scheme was envisaged for creation of common cadres of such personnel as early as in the Third Plan, in order to manage the affairs of the societies. The State Level Marketing Federations of West Bengal alongwith Assam, Kerala, Maharashtra, Karnataka and a few other States have created inter-class pools of key managerial personnel to meet the immediate requirement of their affiliated societies. The Service Rules for the common cadre personnel are also in the process of formulation in West Bengal. The National Cooperative Development Corporation continued to follow up the implementation of the said scheme with the State Governments.
With a view to enabling the State level Federations to provide technical and promotional support and guidance to their affiliated societies on problems relating to organisation, finance, installation and running of processing units, market intelligence, grading of produce and other related matters, the National Cooperative Development Corporation had sponsored a scheme for the establishment of Technical and Promotional Cells at the State Level Federations. Under this scheme, financing the societies in the form of subsidy is being provided by the Corporation to the Federations through the State Governments towards the cost of maintenance of experts in the Cells. The pattern of assistance under the said scheme which was revised in the year 1974-75 made provision for a subsidy from the Corporation in respect of financially stronger Federations limited to a maximum of 70 per cent of the cost of experts per year uniformly for five years. In case of financially weak or new Federations, the subsidy is provided up to a maximum of 90 per cent of the cost uniformly for five years. The exact percentage of assistance, however, is determined on the merits of each case.

Under the Central Sector schemes introduced in the last two years of the Fourth Plan i.e. 1972-73 and 1973-74 for strengthening the share capital bases of selected cooperative marketing societies the National Cooperative Development Corporation sanctioned first instalment of assistance amounting to
Rs 116.15 lacs to the State Governments for contributing to the share capital of 362 marketing societies. Out of these 362 societies, only 149 societies could be provided the second instalment to the extent of Rs 54.70 lacs during 1973-74 after the societies had fulfilled the conditions of raising additional matching share capital collection from the members and business expansions. Although the Central Sector scheme was dis-continued with effect from 1.4.74, the Corporation continued to provide second instalment of share capital assistances to the remaining societies from its own funds. Accordingly up to the end of 1976-77, the Corporation sanctioned Rs 127.52 lacs on that account to 274 cooperative marketing societies.

Marketing of foodgrains

Foodgrains comprising of paddy, wheat, pulses, etc. form the bulk of the marketed surplus of agricultural commodities assembled in the wholesale marketing centres. Obviously, the marketing and processing cooperatives at various levels have continued to take keen interest in their procurement and sale. The cooperatives, by confining themselves within the framework of Government Policy continued to play on an increasing scale, their role as one of the major agencies for procurement of foodgrains under the levy as well as the price support schemes.
Such planned programme every year under the sponsorship of the Government helps much in building up buffer stock of foodgrains in order to maintain a steady flow of public distribution system through the rationing and other agencies during the lean period. The marketing cooperatives also take active interest in bulk purchase of commodities like pulses for enlarging their inter-state and export trades and for stabilizing the prices in the internal markets. The procurement of foodgrains by the cooperative sector is maintaining a steady progress. During the year 1975-76, their turnover in these commodities was of the order of Rs 520 crores as against Rs 447 crores in 1974-75 and Rs 321 crores in 1972-73, registering thereby an increase of 17 per cent from their previous year’s performance and 63 per cent over the foodgrains handled in 1972-73. The Statewise position of value of foodgrains marketed is given below in a table which brings out significant contribution made by cooperatives in six of the States viz., Uttar Pradesh, Punjab, Maharashtra, Haryana, Assam and Madhya Pradesh. These States put together shared about 83 per cent of total foodgrains business handled by all cooperatives in the country in 1975-76.

( in tonnes )

<table>
<thead>
<tr>
<th>Quantity of paddy procured/purchased by cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Uttar Pradesh</td>
</tr>
<tr>
<td>2. Punjab</td>
</tr>
<tr>
<td>3. Maharashtra</td>
</tr>
<tr>
<td>4. Haryana</td>
</tr>
<tr>
<td>5. Assam</td>
</tr>
<tr>
<td>6. Madhya Pradesh</td>
</tr>
<tr>
<td>7. West Bengal</td>
</tr>
<tr>
<td>1974-75    1975-76  1976-77</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>11000     101243      19345</td>
</tr>
<tr>
<td>13580      168168      122976</td>
</tr>
<tr>
<td>19685      347362      21391</td>
</tr>
<tr>
<td>16797      52141       25000</td>
</tr>
<tr>
<td>52141      25397       195000</td>
</tr>
<tr>
<td>14800      69899       14800</td>
</tr>
</tbody>
</table>
The contribution of cooperatives in marketing of paddy depended primarily on policies followed in different States for paddy procurement and the role assigned to the cooperatives in whole system of procurement. During 1976-77, the Agricultural Prices Commission recommended a procurement target of 5.5 million tonnes of rice during the season. This target after a review in the meeting of the State Chief Ministers and Food Ministers with the Union Minister for Agriculture and Irrigation was reduced to 4.4 million tonnes. The main reason for reduction in the target was loss of paddy crop as a result of severe drought in some States and due to damage to crop by cyclonic storm in some other States.

The role of National Cooperative Development Corporation in the procurement of foodgrains

The National Cooperative Development Corporation as the promotional agency requested the Registrars of Cooperative Societies and the State Governments to secure for cooperatives a significant role in procurement operations of paddy and to see that a complete tie-up is made in the selection of societies and in providing them adequate funds for handling paddy. As a result, the cooperatives were appointed procurement agents in many a States for the levy paddy. Madhya Pradesh and Haryana took their own initiative to purchase paddy under price support
operations as well as in open market for processing paddy in their own rice mills. They also undertook custom milling of paddy for the Food Corporation of India and other public sector institutions in addition to milling paddy of their own members. In West Bengal, the cooperatives also played a significant role in paddy procurement and the marketing cooperatives also undertook Bani milling and the milling of paddy of the Food Corporation of India. 4

Point of coordination between the Department of Food and the Department of Cooperation

In pursuance of its declared policy to ensure fair price to producers and to stabilize the consumer price by keeping a margin on different stages of marketing at reasonable level, the Government of India decided to fix the price of paddy, rice, wheat and other important foodgrains.

Pending the set up of Agricultural Prices Commission which would recommend the prices of agricultural produce on a remunerative basis, the Government had appointed a Foodgrains Prices Committee under the chairmanship of Shri L. K. Jha to advise on the determination of the prices of such staple foodgrains

On the basis of the recommendation of this Committee, the Government has fixed the procedure of pricing at which it will be prepared to purchase paddy offered to it at the declared assembly points. (Press hand-out released by the Government of India on 13.10.64 - page 241-343 of the Policy Circulars).

As a result of the various measures taken, remarkable progress in the cooperative marketing of foodgrains was registered during the cooperative year 1964-65. The value of the foodgrains marketed by cooperatives rose to ₹ 98 crores as against ₹ 40 crores during the year 1964-65.

In order to utilise the experience gained by the cooperatives in the marketing of foodgrains during 1964-65 and to devise further measures, a meeting of the Chief Executive Officers of State level Marketing Societies and Joint Registrars (Marketing) was convened by the National Cooperative Development Corporation from 9th to 11th August, 1965, at New Delhi. The following decisions were taken in the said meeting.

(1) Marketing cooperatives should have a target of procurement worth ₹ 200 crores during the cooperative year 1965-66.

(2) In the procurement programmes of the Food Corporation of India and other State trading authorities, the cooperatives should be utilised as the main agents of procurement. Where the procurement programme is
quite sizeable, the State level marketing societies should act as the liaison of the Food Corporation of India and other State trading agencies.

(3) The State Marketing Federation should take the initiative to negotiate for procurement agency on behalf of the cooperatives.5

The State-level Marketing Federation should also invariably utilise the local marketing societies as its sub-agents. If the primary producers are willing to dispose of their crop at the village level themselves, attempts should be made to undertake business with the producers at the village level through the village societies at the hat centres.

(4) In order to avoid placing the cooperatives at a disadvantage vis-a-vis private traders, the State Governments should not fix the maximum price in respect of foodgrains.6

5. Cooperative Agricultural Marketing & Processing; Policy Circulars, NCDC, p. 248

(5) The conventional system of procurement of rice by levy on wholesalers and rice millers should be avoided. The State Government concerned should reduce the rate of levy on cooperatives vis-a-vis private traders/millers or, if possible, grant total exemption from levy where marketing cooperatives undertake procurement operation.

(6) In States where inter-district movement of foodgrains are resorted to, attempts should be made to bring marketing cooperatives of the surplus districts in contact with the wholesale resources in deficit districts.

Impact of pledge loans by the cooperatives on the business of foodgrains in the market

The object of advancing pledge loans to the cooperatives is to strengthen the hoarding power of the cultivators in order to avoid distress sale immediately after harvest and thereby secure a fair price for their agricultural produce.

It was felt by the Special Committee of Cooperative of Agricultural Production Board that the existing arrangement of pledge loan was likely to affect the procurement of foodgrains adversely. Accordingly it was decided that required modification should be made in the context of an assured remunerative
minimum price, to the cultivators after foodgrains had been fixed by the Government.

Accordingly a decision was taken to discard the policy of granting the pledge loans to the cooperatives for the purpose of procurement of foodgrains. The cooperatives, however, were allowed to continue the pledge loans in respect of their agricultural commodities.

Recognising the vital role of cooperatives in the marketing of foodgrains and also the need to enable the marketing cooperatives in rice growing areas to make their arrangements for milling rice, the Central Government had issued necessary intensive instructions to all State Governments to give preference to cooperatives in the matter of grant of permits for establishment of rice mills. 7

Preference to cooperative rice mills

It was decided by the Government of India to accord preference to cooperatives in grant of new licenses for rice mills subject to the consideration of applications for such licenses. Only cooperative organisations of producers and

preferably cooperative marketing societies should be selected for the purpose.

Role of cooperatives in trading in foodgrains and public distribution system

In the conference of the State Ministers of Cooperation at New Delhi on 24th and 25th January 1973, it was observed that the main intention of the Government in the proposed takeover of the wholesale trade was primarily to maintain price levels, which was fair both to the producers and the consumers and to reduce to the minimum the spread between the prices received by the farmers and the prices paid by the consumers throughout the season. To make a correct appraisal of the strength and foundation of the cooperative sector in handling foodgrains, the existing infrastructure of the cooperatives were reviewed. It was found that there were about 1.62 lacs P.A.C.S.s at the village level, covering 95 per cent villages in the country and about 43 per cent of the agricultural families. The network of marketing cooperatives covered almost all the important mandis. The storage capacity of these cooperatives was to the tune of 32 lac tonnes and by the end of 1973-74, this capacity was expected to be increased to 44 lac tonnes. 1600 marketing societies and 40000 service cooperatives were already engaged in the distribution of consumer goods in the rural areas. The cooperatives by this time had also gained
sufficient experience in handling foodgrains. Thus the cooperative sector was capable of taking the dual tasks of procurement and distribution of foodgrains. The cost factor of procurement through cooperatives was also considerably less than any other agency appointed for this purpose.

The Conference endorsed the following working arrangements in this respect.

(1) The Food Corporation of India and other State procuring agencies may, as a rule, be required to utilise the cooperatives for purchase of foodgrains at the village levels. Accordingly with the permissions of the Registrar of Cooperative Societies, no other agency should be allowed to take up procurement only in cases where the existing cooperatives were not in a position to undertake procurement.

(2) The State-level procurement agencies, as a matter of policy, should transact with the cooperatives through the State-level Marketing Federations so that efficient operation can be ensured through the network of marketing cooperatives stretched throughout the State. The margins allowed to the cooperatives for procurement should be worked out on a realistic basis through mutual consultations.
The State Governments/State procuring agencies should make suitable arrangements to provide the marketing cooperatives with the required and adequate funds.

In order to obviate the need for large investments by the State Governments in the share capital of the marketing cooperatives, merely to provide the margins for borrowings from the banks, the Reserve Bank of India might relax the relevant and condition and permit the banks to provide pledge and hypothecation credit to the marketing cooperatives at the rate of 100 per cent of the purchases price of foodgrains without insisting on any margin in cases where the purchases were wholly on Government account and where the repayment of the principal and interest were fully guaranteed by the State Governments concerned. Thus would substantially reduce the necessity of locking up of public funds with the cooperatives, which can be utilised for their immediate purposes.

The existing arrangements as allowed by the Reserve Bank of India extended from time to time for clean cash credit limits could be sanctioned by the cooperative banks to the marketing cooperatives upto a limit of their owned funds and twice their owned funds with Government guarantee. Considering the constraints of
providing such funds by the banks from their own resources, it was decided that the State Bank of India and other nationalized banks should come forward to provide such advances to the cooperatives both twice their owned funds on Government guarantee where the cooperative banks were not in a position to provide such credit.

(6) For expeditious settlement of disputes relating to quality etc., a joint machinery with representatives of the State procurement agency, the Department of Cooperation and Food and Supplies of State Government should be evolved at the State level as also at the district levels.

So far as this coordination is concerned, the situation is far from satisfactory and there is much left to be done as yet. Our experience in West Bengal amply shows that the settlement of payments of bills of the Food Corporation of India by the cooperatives can hardly be effected within a reasonable period of time. Very frequently a final reconciliation of accounts of the cooperatives with the Food Corporation of India are hardly done. For years together the cooperatives with their meagre resources are to block their limited capital on Food Corporation of India account. Instances are not rare where the payment of the pending bills were not made for a couple of years, thus jeopardising an ambitious programme for procurement of foodgrains through the cooperative sector for the next coming years.
In the context of what has been pointed out above, it is all the more necessary to build up a close coordination between the higher officials of the Food & Supplies Department and those of the Cooperation Department. Even, it may be more useful if the Secretary in-Charge of Cooperation Department along with his Directorate officers sit with the Secretary of the Food Department, discuss threadbare the problems of mutual organisational set-up and can sort out those across the table, sufficiently ahead of time before the procurement operations begins every year. The highest authority of the Food Corporation of India including the Regional Manager also can profitably attend such meetings and evolve a rational procedure so that the pending bills on account of paddy procurement by the cooperatives as the agents of the Food Corporation of India may be quickened substantially. The authorities of the Food Corporation of India may sit together every fortnight with the Additional Registrar of Cooperative Societies in-Charge of marketing cooperatives to review the position of payment of bills and after such review is done at regular intervals, the immediate reconciliation of accounts may be made possible. The State Government may consider this suggestion and if deemed rational, may adopt such procedures. Alongwith the matter of settlement of pending bills, the performance and efficiency as well as deficiency of the cooperatives may also be reviewed and corrective measures may be taken immediately. This will certainly bring about a quali-
qualitative improvement in the performance of both the Departments of the Government. Similar problems and difficulties are experienced by the Cooperative Department in case of wheat procurement, jute procurement and the like. If an effective coordination between the different operative agencies by the Jute Corporation of India and the cooperatives implementing the programme in the fields is ensured, simultaneously the image of the working of the cooperatives will be brightened and the functions of such national level cooperatives may be improved substantially. Further details on these problems will be discussed along with suggestive remedies in due course of my polemics.

At the same breath it may be worthwhile to watch the improvement, at least qualitative, in the performance of paddy procurement during the year 1974-75. During the kharif season of 1974-75 (November 1974 to October 1975), the State Governments were permitted by the Union Government to adopt any system of procurement of paddy that would best suit to their needs. While in Punjab, Haryana and Uttar Pradesh rice was procured through the millers' levy, in Assam, Karnataka, Kerala and Gujrat paddy was procured in a system of graded levy on producers. In West Bengal and several other Eastern and Southern States, millers' levy as well as graded levy on producers was continued. The total paddy procured by the cooperatives on behalf of the State Government was of the order of 9.05 lac tonnes during the kharif season of 1975 as against 8.27 lac tonnes during the
preceeding year.

Jute procurement

During 1974-75 there was a shortfall in the production of jute. In order to ensure fair price to the cultivators, the Government of India fixed a support price of jute at Rs 125/- per quintal for Assam Botton variety. The cooperatives made purchases of jute on behalf of the Jute Corporation of India in almost all the Eastern States. During the cooperative year ending June, 1975, 3.33 lac quintals of jute were purchased by the cooperatives against 4.12 lac quintals during the cooperative year 1973-74. The reason of shortfall was, as has already been stated, a shortfall in production. It is worthwhile to note in this connection that during the cooperative year beginning from 1.7.75 and ending upto the period 31.12.75, the cooperatives had already purchased 3.38 lac quintals of jute upto 31.12.75 and the maximum purchases had been made in West Bengal where cooperatives had purchased out of these 3.28 lac quintals, 2.538 lac quintals of jute. The rest of the quantity were purchased by so many States all combined, e.g. Tripura, Bihar, Uttar Pradesh, Andhra Pradesh and Assam.

The National Cooperative Development Corporation had provided a margin money assistance to the concerned marketing cooperatives to the tune of Rs 123 lacs including Rs 16 lacs provided during the year 1975-76.
Production and sale of agricultural inputs through the cooperative sector

At the outset it will be of vital importance to give an idea of the biggest fertilizer producing project in the cooperative sector in India since ever before. The Indian Farmers' Fertilizer Cooperative Ltd. had set up at Kalon an Ammonia plant designed to produce 910 tonnes per day and an Urea plant designed to produce 1200 tonnes per day and a NPK plant designed to produce 1200 tonnes of complex fertilizer per day at Kandla. The revised capital cost of this project came to Rs 97.59 crores. The Ammonia Plant at Kalon has just run smoothly and production has had to be restrained, from time to time, on account of high storage of ammonia as well as poor off-take by the consuming plants and by external users. There had been interruption of production due to technical problems on the air compressor of the Ammonia Plant. It was expected that by the end of 1976, the output of ammonia would reach 1.50 lac tonnes with the percentage of utilisation at 50 per cent, in the course of the said financial year.

It was expected that the amount of Urea that would be produced in the IFFCO plant during the year 1975-76 would be of the order of 1.80 lac tonnes with percentage of utilisation at 45.5 per cent.
Even though the NPK plant had shown its capability of performing well during the test runs, the observation of the product in the market was considerably reduced due to high price and glut in the market. Production was, therefore, restricted for most of the period and new formulations are being tried to interest the market. The marketing operations of the products from Kalon and Kendla plants had been carried out exclusively through the cooperatives in the States. 1,04,093 MT of Urea and 67,715 MT of NPK had been distributed during the period April to middle to December, 1975.

Another big fertilizer production unit named Maharashtra Cooperative Fertilizers and Chemicals Ltd. was set up and an Ammonia and Ammonium Chloride-cum-Soda Ash plant designed to produce 200 tonnes per day each at Tarapur near Bombay was also under process during the year 1976. The society had concluded agreements with a Danish firm for setting up the Ammonia plant and with a Japanese firm for Ammonium Chloride-cum-Soda Ash plant. The estimated capital cost of the project was calculated to be approximately ₹ 48 crores. The Government had agreed to advance a loan through the National Cooperative Development Corporation to the Government of Maharashtra to enable them to invest in the share capital of the society. The loan amount would be linked to the equity subscription of the Government of Maharashtra and would be 50 per cent of such contribution, subject to a maximum of ₹ 4 crores.
The State of West Bengal is very much concerned with these projects of fertilizer production in the cooperative sector for the main reason that the requirement of fertilizers in West Bengal would have to be met substantially from the production of the units just stated above. In this context, it would be of much value for us to pry into the patterns and trend of distribution of fertilizers in the cooperative sector. During the year 1975-76, the cooperatives continued to play a vital role in the distribution of chemical fertilizers in the country. While during the cooperative year ending June, 1973, they distributed fertilizers worth Rs 322 crores, their operations enhanced to Rs 400 crores during the cooperative year ending 1974. The cooperatives are estimated to have handled fertilizers valued at Rs 617 crores during the cooperative year ending June, 1975. The cooperatives had developed a large network of retail points for serving the farmers even in remote areas. As on 30.6.75, the number of cooperative retail depots was 45,630. The cooperatives continued to distribute the indigenous non-pool fertilizers on an increasing scale in addition to the pool fertilizers made available to them through the State Governments. With view to providing at the State level a single Central bargaining, financing and coordinating agency in most of the States, the State-level Cooperative Marketing Federations had been activised to function as cooperative wholesaler at the State level in
fertilizer business. 8

Finance for distribution of fertilizers to the cooperatives

A Centrally sponsored scheme is already in operation since the beginning of the Fourth Five Year Plan to provide assistance to marketing cooperatives towards margin money requirements for procurement, stocking and distribution of fertilizers and other agricultural inputs. The National Cooperative Development Corporation had sanctioned a total assistance of Rs. 14.14 crores to cooperatives in different States up to the end of the year 1974-75. During the year 1975-76 up to December, 1975, an amount of Rs. 180.26 lacs had been sanctioned to different States for the aforesaid purpose and another Rs. 110 lacs were expected to be provided during January-March, 1976. The provision of this margin money had helped the cooperatives to obtain working capital finance of the order of Rs. 150 crores from the banks by dint of the margin money provided by the National Cooperative Development Corporation, for the distribution of fertilizers and other inputs.

Inadequacy in the operation of the marketing cooperatives

Certain inadequacies in the operation of regulated markets had been retarding the growth of cooperative marketing societies. There were still several markets/sub-markets which were to be brought within the purview of the said regulation. Even in the few markets already regulated, a large number of important commodities were not within their purview. The restrictions of purchase and sale of agricultural commodities stipulated in the Agricultural Produce Markets Acts had also been inhibiting the development of cooperative marketing. There is need to permit the marketing societies, which are farmers owned organisations, to make outright purchases from the producers, either directly or through the village cooperatives, without any restrictions or without being required to bring the produce to market yards or to purchase it through open auctions from regulated market and also to recover the dues on account of production, grading and transport costs etc. from the sale proceeds. Similarly they should be free to sale the produce after pooling, grading and processing, where necessary, in the terminal and other markets, either themselves or through higher level cooperative organisations, so as to ensure a better price to the farmers. The Conference recommended that the State Governments should examine the existing provisions of their Acts in this regard and make suitable modifications therein to remove the hardships faced
by the cooperative societies.  

Fertilizers consumed during 1980-81  

In the modern system of crop production with its stress on high-yielding varieties, chemical fertilizers constitute the most important input. Recognizing this need, special efforts were made to ensure adequate availability of chemical fertilizers during 1980-81. Short-fall in domestic production of fertilizers had to be made up by organising massive imports. This cost the Government an enormous amount of valuable foreign exchange because of the substantial increase in the international prices of the imported fertilizers.

The consumption of fertilizers during 1980-81 is estimated to be 55.8 lac tonnes of nutrients as against the targeted level of 61.0 lac tonnes.  


10. Ibid, pp. 32 - 35.
towards achieving the targetted level of consumption of fertilizers during 1980-81, the major constraints were unfavourable weather conditions in many a States and heavy shortfall in domestic production. However, the Pool of fertilizers helped to a great extent in meeting the shortfall of supplies as against the deficit of 21.26 lac tonnes of nutrients registered with the Pool for the year 1980-81 (1.2.80 to 31.1.81), allotment from the Pool was made to the extent of 30.38 lac tonnes of nutrients which included 9.12 lac tonnes to make up the shortfall in supplies from domestic manufacturers. 11

Performance and Future Programmes of the Cooperative Marketing Societies in respect of Foodgrains during 1979-80.

During the year 1978-79, the value of foodgrains handled by the cooperatives was ₹ 490.25 crores, as against ₹ 383.92 crores in the year 1977-78, thus registering an increase of ₹ 106.33 crores in their marketing activities. This shows an increase of 27.69 per cent from that of the previous year. State-wise value of foodgrains handled by cooperatives is presented in Table I given below which reveals that Uttar Pradesh marketed the highest value of foodgrains at ₹ 147.09 crores.

followed by Punjab and Haryana with value of foodgrains handled at Rs 114.81 crores and Rs 69.87 crores respectively:

Table - I

<table>
<thead>
<tr>
<th>State</th>
<th>1976-77</th>
<th>1977-78</th>
<th>1978-79</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uttar Pradesh</td>
<td>8548.00</td>
<td>7403.35</td>
<td>14709.79</td>
</tr>
<tr>
<td>Punjab</td>
<td>8808.08</td>
<td>10415.00</td>
<td>11481.23</td>
</tr>
<tr>
<td>Haryana</td>
<td>5808.50</td>
<td>5980.92</td>
<td>6986.75</td>
</tr>
<tr>
<td>West Bengal</td>
<td>375.24</td>
<td>316.05</td>
<td>278.99</td>
</tr>
</tbody>
</table>

Table - II

Statewise details of procurement of wheat by cooperatives

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Procurement</td>
<td>Total Procurement</td>
<td>Total Procurement</td>
</tr>
<tr>
<td></td>
<td>by Cooperatives</td>
<td>by Cooperatives</td>
<td>by Cooperatives</td>
</tr>
<tr>
<td>----------------</td>
<td>------------------</td>
<td>------------------</td>
<td>------------------</td>
</tr>
<tr>
<td>Uttar Pradesh</td>
<td>11.35</td>
<td>6.27</td>
<td>16.91</td>
</tr>
<tr>
<td>Punjab</td>
<td>31.50</td>
<td>7.60</td>
<td>40.98</td>
</tr>
<tr>
<td>Haryana</td>
<td>9.27</td>
<td>2.50</td>
<td>13.80</td>
</tr>
<tr>
<td>West Bengal</td>
<td>-</td>
<td>-</td>
<td>0.03</td>
</tr>
</tbody>
</table>
Marketing of wheat

Marketing of wheats by cooperatives was almost entirely on account of procurement under Price Support Operations for the Public Distribution System. The cooperatives procured wheat in the open market as agents of the State Governments in Punjab, Haryana, Uttar Pradesh and Jammu & Kashmir which constituted 99.69 per cent of the total wheat marketed by the cooperatives in the year under review i.e. 1979-80.

The State-wise progress of procurement of wheat as indicated in Table II above, wherefrom it may be seen that there was a fall of 24 per cent in total procurement of wheat by all agencies from 76.54 lac tonnes in 1979-80 to 58.21 lac tonnes in 1980-81. This was mainly due to acute drought condition prevailing last year. However, the cooperatives procured 27.45 per cent of the total wheat procured to achieve a quantum of 15.97 lac tonnes.

Marketing of paddy

The marketing activities in paddy mainly comprise of procurement operations by cooperative societies for the Public Distribution System. These are made in accordance with the prescribed support prices and the cooperative operate
within the framework of Food Policy laid out in each State. The procurement on Government account in some States is made through graded levy on producers and also by procurement of support price during the peak marketing seasons. The paddy procured is either milled exclusively in cooperative rice mills or in both private and cooperative rice mills. In some States, the procurement of paddy/rice for the Public Distribution System is made through a levy on producers and rice mills. The stipulated levy on paddy/rice is handed over to the Governments or their agencies at assigned prices, and traders/millers are free to sell the rice in the open market.

Overall position of paddy and rice procured by all agencies in terms of paddy, and total quantity of paddy procured for Public Distribution System and marketed on own account by the cooperatives for the last four years is presented in the Table given below:

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity procured in terms of paddy by all agencies</th>
<th>Quantity of paddy procured/marketed by cooperatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>1976-77</td>
<td>66.46</td>
<td>6.80</td>
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<td>1977-78</td>
<td>72.82</td>
<td>5.89</td>
</tr>
<tr>
<td>1978-79</td>
<td>93.55</td>
<td>4.14</td>
</tr>
<tr>
<td>1979-80</td>
<td>56.00</td>
<td>2.91</td>
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</tbody>
</table>
The above Table reveals a gradual fall in procurement activities of paddy by cooperatives. This is mainly due to creation of a number of Governmental procurement agencies such as State Civil Supplies Corporation as well as increased procurement of paddy by State Civil Supplies and Food Corporation of India through their own staff. The State Governments in some States have been providing a limited role to the cooperatives in procurement operations. The financial weaknesses of some of the marketing societies and severe competition from private traders also affected the performance of cooperatives in 1979-80 as compared to the previous year and similar downward trend was reflected in procurement by all other agencies also. In fact, the decline shown by all agencies was 40 per cent below the previous years performance while that of the cooperatives was 30 per cent. The decrease in paddy procurement and marketing activity during the year under review was largely attributed to drought conditions in Madhya Pradesh, Andhra Pradesh, Haryana, Assam and the belated as well as uneven rainfall in other parts of the country causing a poor crop of paddy. The fall in production resulted in rise in paddy prices, above the support price levels, thereby substantially reducing the procurement of paddy.  

The State-wise position of paddy procured/marketed by the cooperatives for the last three years is given in the Table below.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>5,100</td>
<td>5,153</td>
<td>N.A.</td>
</tr>
<tr>
<td>Assam</td>
<td>2,13,000</td>
<td>24,365</td>
<td>14,346</td>
</tr>
<tr>
<td>Bihar</td>
<td>-</td>
<td>5,282</td>
<td>N.A.</td>
</tr>
<tr>
<td>Haryana</td>
<td>1,00,000</td>
<td>52,446</td>
<td>75,312</td>
</tr>
<tr>
<td>Madhya Pradesh</td>
<td>1,68,621</td>
<td>89,418</td>
<td>294</td>
</tr>
<tr>
<td>Maharashtra</td>
<td>1,204</td>
<td>15,800</td>
<td>3,367</td>
</tr>
<tr>
<td>West Bengal</td>
<td>1,091</td>
<td>2,000</td>
<td>N.A.</td>
</tr>
<tr>
<td>Other States</td>
<td>***</td>
<td>***</td>
<td>***</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>5,89,402</td>
<td>4,13,947</td>
<td>2,90,971</td>
</tr>
</tbody>
</table>

13. Ibid, p. 27
Inadequacies of the cooperative marketing societies

The Conference noted that despite several recommendations in the past emphasizing the need for creation of common cadres/pools of managerial personnel for cooperative marketing/processing societies in order to build up professional cadres of Managers, unfortunately there has been very little progress in this regard due to various reasons. In this context the Conference of the Ministers of Cooperation made out the following suggestions and desired that the State Governments should make concerted efforts for immediate implementation of the scheme:

(a) The State Governments may provide suitable legislative support for the constitution of managerial cadres, so that it may be obligatory on the part of the cooperatives to appoint personnel from the common cadres.

(b) The State-level Marketing Federations should take immediate measures to constitute the common cadres where they have not been set up as yet. Where the cadre has already been constituted, it should be strengthened commensurate with the present requirement of the situation as demanded. The key personnel, inter alia, should include the ranks of the following designations e.g. - General Managers, Accounts Officers,
Branch/Department Managers, etc. and they should have regular avenues of promotion and sufficient scope in their careers, so that really qualified persons are attracted to these challenging jobs.

(c) Suitable alterations and additions should be made in the cadre on consideration of the merit of the existing key personnel. Their performance, experience, training, etc. should be duly appraised.

(d) Government officers working on deputation to marketing societies should on the basis of their willingness, aptitude and performance, to be selected for being included in the management cadre. At the same time, the State Governments should chalk out a phased programme for withdrawal of all other Government officials on such deputation and their replacement by the cadre personnel.

(e) Even during the transitional period, the Government officers to be deputed to the marketing institutions should be selected on the merit of their qualifications, job requirements and capability.

(f) The present system of maintenance of accounts in most of the large marketing societies are far from satisfactory. Accordingly, the State Governments should consider deputing
suitable experienced officers of the Audit and Accounts Department of the Government to such institutions. 14

The State Government procurement agencies like the Food Corporation of India, Cotton Corporation of India, Jute Corporation of India, State Food Department etc. should enter into long term arrangements with the cooperatives for procurement of the commodities concerned, instead of the present system of ad-hoc arrangements from year to year so that the latter might be able to make suitable administrative, financial and other arrangements for a sufficiently long period.

Despite threadbare and detailed discussions at various levels in the Government structure as well as in the supporting institutions for ensuring an effective coordination between the consumers and marketing cooperatives, it is observed that there had not been sufficient rapport between these two sectors and they continue to function in isolation. It is reiterated that the mutual business circle between these two sectors have got to be strengthened. Consumers' cooperatives should draw their requirement of agricultural produce from the marketing societies while the latter in turn should obtain their requirements of consumer articles from the wholesale sources. The State Governments should

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take appropriate measures to ensure such coordination.

The Reserve Bank of India prescribed a limit of 90 days for granting of advance on pledge of agricultural produce for the individual growers. It was felt necessary for enhancing the period in respect of such advances to the marketing cooperatives, as they are required to hold the stocks for much longer period for processing as well as distribution throughout the year. It is gratifying to note that the Reserve Bank of India was willing to consider the extension of this period upto 180 days in respect of selected crops, if adequate data justifying such extension was furnished by the Registrars of Cooperative Societies.

It is an accepted policy of the Government that production credit as a rule should be provided by the credit societies only. But in reality, a few marketing societies had been traditionally providing such credit to their members and recovering the same through the marketing of their produce. As any abrupt change in this procedure might disrupt the business of such societies, it was felt that such cooperatives might be allowed to continue providing credit to their members subject to suitable safeguards and the risk of double financing.
Role of the West Bengal State Cooperative Marketing Federation

The BENFED being the apex institution of the cooperative marketing societies in the State of West Bengal, has necessarily a very vital role in developing the infra-structure of the cooperative marketing societies spread throughout the districts and the Blocks in the form of primary cooperative marketing societies. The managing committee of the BENFED consists of representatives from different primary marketing societies in districts, representatives of the State Cooperative Bank and the District Central Cooperative Banks. There are also State Government nominees in the Board of Directors. The flourishing and development of cooperative marketing structure much depends on the attitudinal outlook of these State level institutions. As a chronic malady, the Annual General Meeting and re-election of the managing committee in most of the State level cooperative organisation do not take place at regular and legally valid intervals. The penal provisions of the State Cooperative enactment also are highly inadequate to enforce the penalty like dissolution of the managing Committee. The reason is the Courts of Law, the shelter in which are sought by the members of the managing committee against any executive order of dissolution of the Board backed by the force of legislature. Random recourse to the High Court are being taken to by the members of the managing committee, whenever there is any occasion for disbanding the
Board. The High Court on writ petitions under Article 226 of
the Constitution often issues an interim order of injunction and
the members of the managing committee branded with sinister
motive merrily continue to remain in office. Thus the major
functions of these State level organisations like maintaining a
steady supply of fertilizers, agricultural inputs, improved
seeds for wheat and paddy, procurement of jute, through marke-
ting cooperatives are often relegated to secondary importance.

The reason behind the situation described above is mostly
political as well as sociological and socio-political. In the
same manner as in the case of a primary marketing society, the
members of the managing committee at this apex level institution
become frenzy to fulfil their personal gains and ambitions. Here
also the basic issue of the quality, culture and educational
standard of the electorate, in this case the representatives of
the primary marketing societies in the districts, are also not
aware of the far-reaching consequences and repercussions of their
electing an improper person as the representative in the highest
bouy of their federation. In this case, the remedy is not as
simple as in case of primary society. The good working marketing
societies in the districts should be made conscious of the results
that may ensue in the event of their choosing a wrong person as
their representative. The managing committees of the parimary
societies should be supplied with a detailed booklet containing
the vital information regarding the different schemes and acti-
activities of their apex organisation. They should also know the mode of working of the BENFED so that they may from time to time have the opportunity to review the performance of their BENFED and suggest modifications, if necessary, in order to curtail their limitless power and arbitrary functions.

The BENFED also exercises supervision over a huge number of cooperative rice mills in different districts. The Cooperative Directorate may strengthen its supervision on the working of these rice mills either in profit or in loss. Specific measures should be taken to prevent loss of these rice mills and the BENFED also should be made alert in any way contributing to the failure of proper functioning of these rice mills. Similar is the case of cold-storages working in the cooperative sector.

Here also the element of public accountability should be evolved and sufficiently strengthened. However, there is one statutory body called the Public Accounts Committee which exercises control and supervision over all sorts of organisations in public, private and cooperative sectors. But other normal distortions, high-handedness and improper actions taken by the BENFED seldom surfaces at this level, the Public Accounts Committee being a supra-structural body. For these reasons, the State Government may form a high level committee consisting of the Secretaries of different departments like, Agriculture Department, Department of Food and Supplies, Department of Cooperation, the Chairman of the Jute Corporation of India and the Chairman of the Food Corporation...
of India and the Chairman of the State Cooperative Bank and the BNFED. This high level body, if constituted, is likely to be in a position to review and appraise the functions of the BNFED in different fields of its activity and enforce disciplinary measures, if the BNFED is found wrong in its approach and proper functioning.

**Government finance in the BNFED**

BNFED has 269 members with a paid up share capital of ₹ 594.98 lacs. Out of the paid up share capital, the State Government has contributed ₹ 586.81 lac for undertaking various types of activities. An outline of activity-wise contribution made by the State Government is noted below:

<table>
<thead>
<tr>
<th>Activity Description</th>
<th>Amount (₹)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Investment in IFFCO's Share Capital</td>
<td>125.00</td>
</tr>
<tr>
<td>(b) Investment in KRIBCO's Share Capital</td>
<td>25.00</td>
</tr>
<tr>
<td>(c) For setting up of Ginnery Plant at Kakdwip</td>
<td>0.54</td>
</tr>
<tr>
<td>(d) For setting up of a Pesticides Formulation Plant</td>
<td>0.14</td>
</tr>
<tr>
<td>(e) Compensation towards flood loss</td>
<td>82.51</td>
</tr>
<tr>
<td>(f) Fertiliser distribution</td>
<td>144.00</td>
</tr>
<tr>
<td>(g) Jute Procurement Operation</td>
<td>80.00</td>
</tr>
<tr>
<td>(h) Marketing Operation</td>
<td>70.00</td>
</tr>
<tr>
<td>(i) Seeds Procurement</td>
<td>8.00</td>
</tr>
<tr>
<td>(j) STW Material</td>
<td>20.00</td>
</tr>
<tr>
<td>(k) Rice Mill at Memari</td>
<td>6.50</td>
</tr>
<tr>
<td>(l) Procurement of Paddy for Rice Mill</td>
<td>10.46</td>
</tr>
<tr>
<td>(m) Tribal Scheme</td>
<td>10.00</td>
</tr>
<tr>
<td>(n) Others</td>
<td>4.06</td>
</tr>
</tbody>
</table>
Constraints faced by the BENFED regarding supply of fertilizers

It appears from the report of the BENFED during the current year that the fertilizer business has been showing a downward trend during the last 3 years and the main constraints are summed up below:

(a) The quantum of short term loan extended by the District Central Cooperative Banks is steadily falling. Since BENFED's sale of fertilizers is mostly channelized as B Component against the above loan, this had a severe adverse effect on the steady flow of supply of fertilizers;

(b) The price of the fertilizers had been revised upward every steeply during recent times. Accordingly, the demand has gone down considerably;

(c) Shortage in consignment of fertilizers, particularly in imported stocks is too much to absorb;

(d) Lack of discipline amongst the marketing societies in the matter of sale proceeds is leading the BENFED to restrict or stop supply to a number of societies which has ultimately affected the turnover of the BENFED;
(e) The margin for sale of fertilizers remains unaltered although the prices were increased by 40 per cent on 8.6.80 and 15 per cent on 11.7.81 respectively. As a result, the investment has been enhanced to a considerable extent in consequence of which it has become difficult to increase the business turnover. The deal has become uneconomic and BENFED is not in a position to offer remunerative terms to its affiliated societies. Accordingly it is felt that unless the cost component of distribution cost is subsidized, it will be increasingly difficult to run the business profitably. The non-payment of sale proceeds on account of the supply of fertilizers made by the BENFED to the societies, the BENFED has but to incur huge loss.

(f) Non-availability of suitable brands of fertilizers in time in right quantity also affects the turnover adversely;

(g) Delay in getting financial accommodation in the shape of cash credit from West Bengal State Cooperative Bank has also become a problem in this field;

(h) Transport charges have gone up considerably but this is not being off-set adequately as per old transport subsidy scheme of the Government of India. The BENFED is not getting the subsidy in quick intervals against the bill
submitted to different suppliers. During the current year i.e. 1981-82, the BENFED has a target of distribution of 1 lac tonnes of fertilizers. It is expected that at least 50 per cent of this target will be achieved through supply to be received from the IFFCO, BENFED is trying to introduce 'cash and carry system' replacing the present consignment system. This has been accepted in principle by the Government. It is expected that implementation of this new system will be introduced shortly. The Agriculture Department of Government of West Bengal is also being approached to sanction a short term loan of Rs 1 crore through the cooperative sector. In fact, the BENFED requires at least Rs 5 crores loan to handle fertilizer distribution to the extent of 1 lac tonnes in such a big way. The Cooperation Department is also being approached by the BENFED to subsidize their interest burden towards the fertilizer distribution. A Government guarantee to the extent of Rs 10 crores is also being prayed for by the BENFED for fertilizer business. It is also felt that on account of subsequent price hikes of fertilizers, the limit of Rs 10 crores as indicated above should be increased to Rs 15 crores to cope with BENFED's ultimate target of a turnover of Rs 30 crores in course of a few years ahead. 15

Some major constraints

Till today the success of the cooperative marketing in our country including West Bengal has only been partial and marginal in its real impact in respect of improvement of the lot of the cultivators. A major portion of the achievement in many States can be explained either by absence of competition or grant of exclusive rights and monopoly privileges by the Government. This kind of achievement cannot be a real one from the point of cooperative principle because the business generally is not concerned with patron-members and the element of voluntariness is conspicuously absent.

Marketing is a broad term which embraces variety of functions like assembling, processing, distribution, storage, finance, market intelligence and so on. Each of these functions is inextricably co-related with one another. To achieve real success, the cooperatives will have to render a package of services comprising all those to the farmers in an integrated way. A review shows that the marketing societies have been able to undertake only very few of these basic functions of marketing and inevitably requirement gap persists between the farmer and the society.

The existing State Marketing Federation also is not well integrated functionally. The relationship among the societies at the lower levels as also at the same level is no organic. As a
result they often function in isolation without due recognition of their obligations to the societies either at higher or at lower levels. The high level society is often found to aim at improving their condition at the cost of exploitation of the lower level member-societies. This factor baffles the very root of success of the movement. Besides, the marketing societies have so far depended heavily on private trade both in respect of purchase and sale. Business with private traders exercises a corrosive influence on the cooperative marketing structure, deprives the primary producers of their legitimate rights and enriches the employment whose vested interests the societies are avowed to eliminate.

The apparent wide coverage of marketing societies is a misnomer and a wrong indicator of its real success. The high percentage of dormancy in the sphere of cooperative marketing societies indicates colossal waste of national effort. If such huge number of societies have failed to fulfil their obligations in spite of State partnership and paternalism, their must be something wrong fundamentally. We have to make a realistic evaluation of these societies and prove the causes of their failure.

The societies should make all efforts to become self-sufficient without depending on Government funds for an indefinite long span of time. The societies must adapt themselves to functioning in a free and competitive market on the strength of their own operational efficiency.
Basic determinants of success

One important pre-condition for success of a cooperative society is a climate of political stability in the country. It is equally essential that the society also attains economic stability. Fluctuations in the level of income, employment and prices are uncongenial for the growth of any society and if there are frequent downward fluctuations, the society will have to pass through a severe crisis. The essential conditions are also equally important. The situation of general education, social cohesion and uniformity among members, the characteristic of population, the general agrarian conditions and the availability of infra-structure facilities have a vital bearing on the over-all success of a marketing cooperative.

The success of a marketing society is also intimately connected with the pattern of production and distribution. A cooperative cannot easily flourish if the economy of a country is dependant upon export of a single product or a limited range of products. Similarly if there is regional specialization in production and the areas of production are remote from the centres of consumption, the cooperatives have a substantial scope in such conditions. Again if there is a heavy concentration of production of a single commodity in a compact area, the cooperative will have a bright prospect. A cooperative
marketing society can regulate the flow of products in the market, help to create demand and search more outlets for remunerative disposal.

A marketing society should be organised only if there is a legitimate need for the services it can render and that need must be sufficiently impelling, uniform, felt and reasonably stable. The society should not be organised merely for the expediency based upon a temporary difficult situation, because such societies organised in mushrooms do not generally survive after the normalcy is restored. It is essential that the society should have a definite and stable objective to serve and this objective should not be allowed to undergo frequent changes. While attempting to improve the efficiency of a marketing society, certain important decisions have to be taken like fixation of area of operation, the location of the headquarters, the enlightenment of members and the recruitment of the salaried staff. It is also important to undertake promotional activities in a realistic way.

The success of a society is also dependant upon the availability and assurance of adequate and constant volume of business. The marketing societies will depend on the scale of operations and the economic influence of the society in the market will also be conditioned by what percentage of the total trade is ultimately handled by the society. Many societies have been doomed because of dearth of sufficient volume of
business. The area of operation for such market assessment is vitally important. The capital resources of the society will also regulate the total turnover of the society. The holding capacity of the society and thereby its competitive strength can be co-related to the resources at its disposal. The society without a strong capital base is easily vulnerable to unfavourable market conditions. The business of the society ultimately depends on the steadiness of loyalty and patronage of the members. An enlightened group of members who are aware of the functions of the society are more likely to respond to the call of loyalty. The enlightened members are also in a position to study and review the operational efficiency of the society. They would also have strong desire to pull together as a term to counter the vested interests. The members should have acquired vision of the potential benefits the society can obtain and patience to wait for the favourable results, the curve of business is never uniform and the Directors as well as the members should possess a sense of discipline to control enthusiasm in prosperous time and to fight despair and despondency in times of depression.

In order to ensure a reasonable and stable success, the feasibility study should be undertaken which should cover geographical, social, commercial and financial aspects. The climatic condition, the pattern of production and methods of cultivation should be studied in details. Sociological con-
conditions should also be taken account of, including proper identification of different social groups. The existing marketing method, the marketable surplus, products to be handled and the types of services to be rendered, the anticipated cost margins and income and the requirement of fixed and working capital should also be adequately surveyed. On the basis of the survey and analysis as indicated above, proper planning and preparation of the blueprint of the proposed society should be made.

Suggestions for remedial action

(1) A marketing cooperative cannot succeed in areas where agriculture is under-developed and the marketable surplus of products is relatively low. In such areas shall societies should be amalgamated in order to attain viability.

(2) The dependance of marketing societies on the Government in the form of paid-up share capital and working capital should be avoided. Working capital should be mobilized from the level of farmers and PACSs. It is always difficult to mop up additional resources merely on ideological slogans unless the beneficiaries are convinced of assured services.
(3) The societies should not be allured to function merely as Government agents. In order to compete with free market, the operational efficiency of the society must be improved upon substantially. This requires some radical re-orientation which among other things involve a discreet composition of the Board and rapid professionalisation of management.

(4) The element of conflict should be eradicated both from the vertical and horizontal line of marketing societies at different levels. A precise commercial ratio relating to profit maximization should be worked out for both primary and national level societies.

(5) The societies should fundamentally aim at fulfilment of the expectations of farmers. In doing so, the grip of vested interests should be ultimately removed.

(6) The societies should gradually restrict their activity to the objective of arranging remunerative prices to the cultivators through disposal of their produce.

(7) Specific programme should be drawn up to strengthen the primary level societies so as to enable them to establish effective liaison with the local producers and their marketable surplus. A marketing channel should be created through service to the farmers at their residence. The inter-State trade channel should
also be set up at the primary level.

(8) The society should coordinate continuously among the different phases of marketing, processing and consumer cooperatives at different tiers. This coordination is very much lacking at present.

(9) The sphere of activity of public undertakings vis-a-vis cooperative marketing structure has to be precisely defined and demarcated. Their function should concern each other. Experience shows that some public undertakings, newly organized, are making deep intrusion into the legitimate sphere of cooperative marketing activity. Apart from the Food Corporation of India, the Jute Corporation of India and the National Seeds Corporation, many other State-level bodies are coming up like Agricultural Marketing Board, Agro-Industries Development Corporation, etc. which are intruding upon the cooperative marketing structure. This problem will be dealt with separately. This has to be sorted out mainly by the National Cooperative Development Corporation.

(10) It is also argued that certain legislations in different States are curtailing the cooperative autonomy. It should be recognized that State interference is not always a panacea for all the cooperative faults. In
conclusion it may be stated that it is high time that the cooperative marketing structure should not be expanded erratically but the marketing structure has to be sufficiently reinforced to activate their function simultaneously. 16

Summing up the major points

1. In this chapter we have already discussed the economic necessity of a cooperative marketing society and its organisational superiority over other sectors. There has been a steady growth in the activities of the marketing cooperatives from the very base of rural infrastructure. One excellent feature of this organisation is that a sense of fundamental involvement of the cultivators in its activity is the ultimate objective. The marketing structure is essentially linked with the financing agencies like the District Central Cooperative Banks and their branches in villages and the Primary Agricultural Cooperative Societies which help meet production credit requirement of the farmers. Even the concept of private consumption credit for the sustainance of the farmers has also been well accepted and is being implemented gradually. The supply of consumer goods through the marketing cooperatives are also making substantial headway.

One major inhibiting factor in the functional sphere of cooperative marketing societies is that these societies are not yet in a position to ensure lifting of the entire agricultural produce of their member-cultivators. The reason is, as already explained, the inroad and onslaught of the private traders in this field. The second important feature is the monetary obligation of the farmers to a small group of village money-lenders, still operating in the field. We have to develop certain remedial actions for preventing the intrusion of the private traders in this field. We have to adopt coercive measures for effective and quick elimination of the middlemen. The managerial and operational efficiency of the societies should be geared up by inducting highly efficient professional managers with a thorough grounding of business technique. The Managing Committees of the cooperative marketing societies should build up a close contact with all the producers in the village and persuade them to go to cooperative banks for production credit instead of the village money-lenders. The credit societies should sufficiently strengthened to meet the entire credit requirement of every farmer in the village. For this purpose, both the manager of the Primary Agricultural Credit Societies as well as the Board of Directors should also built up close liaison with the member-cultivators. They should have mutual exchange of ideas every now and then. The Cooperation Department of the Government should come up
to increase the influence of the marketing societies on the entire village population. The State Government and the State Federation of Marketing Cooperatives have a major role to play in this respect. The key personnel of these organisations should visit the field more frequently, identify the difficulties of the people and initiate actions to remove those as effectively as possible and rapidly too.