

be evolved in respect of the States. Thus the success of the Commission's efforts may very largely depend on the voluntary co-operation of the State Governments. This is important as there is no constitutional or legal authority which would make its decisions binding on the units. The Prime Minister can, of course, bring political pressure to bear on the State Governments as long as they continue to be

controlled by the Congress. Indeed there are signs that the work of the Planning Commission will be closely guided by the social and economic ideology of the Congress and linked with its economic organisation. The Commission's recent meeting with the Sarvodaya Planning Planning Committee, and the Economic Sub-Committee of the Congress Working Committee is a pointer.

The produce, which is, thus collected, is either auctioned or sales are negotiated with buyers for the lot.

U. P., Bombay and Madras are the three provinces where co-operative marketing has made remarkable strides in recent years. In the following paragraphs, an attempt has been made to assess the progress of co-operative marketing in each of them.

U. P. has achieved remarkable success in the co-operative marketing of cane. Cane societies were established to afford protection to growers of sugarcane and also to improve the quality of cane. They undertake to distribute seed and manure and also to repair culverts and carry out improvement of roads. These societies are grouped into "Cane Development and Marketing Unions". After surveying the available cane, these unions enter into contracts with the factories. The members are issued requisition slips before two days of the due date of supply. The progress of co-operative marketing of sugarcane in U.P. is shown in Table II.

The number of marketing unions for cereals went up from 58 in 1938-39 to 153 in 1944-45, while the value of the total quantity handled increased from Rs. 7 lakhs to Rs. 51.97 lakhs, during the same period. The ghee unions also made a remarkable progress. The number of unions and their membership went up from 607 and 12,500 respectively in 1939-40 to 870 and 20,000. The value of the ghee disposed off through these societies rose from Rs. 2.15 lakhs to Rs. 3.67 lakhs during the same period.

The Provincial Development and Marketing Federation was established in June 1943 with the main object of co-ordinating and improving the work of marketing societies. The Federation is now engaged in the work of distribution of essential goods. For this purpose it has opened several branches and depots in various places. The business handled by it aggregated Rs. 160 lakhs in value in 1944-45.

Co-operative Marketing in India

Ved Prakash Sharma, M.Sc. (Ag)

AMONG the many drawbacks of our agricultural economy, the inefficient and out-of-date system of agricultural marketing is considered one of the worst. It is well known that a major part of the price paid by the consumer for various agricultural commodities, is swallowed by a multitude of intermediaries, operating in the trade. Table I, compiled from the reports issued by the Agricultural Marketing Adviser to the Government of India from time to time, gives the price actually received by the producers as a percentage of the price paid by the consumer for a number of agricultural commodities.

gets far less than he would if he dealt directly with the consumer and, on the other, the consumer is hit hard by the high prices he has to pay. Co-operative marketing has been suggested as a remedy to end this state of affairs. Experiments in co-operative marketing have been tried in different provinces with varying success.

Co-operative marketing societies are limited liability institutions. They arrange for the collection and sale of the produce of their members. Processing is also undertaken in the case of cotton marketing societies. As a matter of principle, these societies dispose of the produce of

TABLE I

| Agricultural commodity | Producer's share in per cent |
|------------------------|---------------------------------|
| Sugar | 65.17 |
| Potatoes | 56.13 |
| Rice | 66.8 |
| Wheat | 68.5 |
| Linseed | 79.35 |
| Groundnut in kernel | 74.7 |
| Grapes | 26.4 |
| Oranges | 32.48 |
| Coffee | 64.77 |
| Tobacco | 42.18 |
| Milk | 64.75 |
| Eggs | 62.5 |

From this table it will be found that the cultivator gets anything between 1/4th to 4/5th of the price paid by the consumer, which is much higher than need be, because of the mechanisations of the several intermediaries. Thus the producer, on the one hand,

their members on a commission basis. With their limited means, they find it difficult to hold stock in anticipation of a rise in price. Usually the members contract with their societies to supply the whole or a definite part of their produce for a stipulated period.

TABLE II
Progress of Co-operative Marketing of Sugar Cane in U.P.

| Year | No. of Cane Primary Societies | No. of Co-operative Cane Developments & Marketing Unions | Membership of Unions | No. of Zones | Quantity of cane supplied to the factories (in crores maunds) | Total quantity crushed by factories | Percentage of cane crushed to total yield of cane in U.P. | Percentage of total cane supplied to factories | Total of villages covered |
|---------|-------------------------------|--|----------------------|--------------|--|-------------------------------------|---|--|---------------------------|
| 1936-37 | — | 23 | 25000 | 22 | 1.27 | 17.17 | 17 | 7 | 9600 |
| 1937-38 | 477 | 28 | 63000 | 86 | 2.76 | 16.93 | 19 | 16.3 | 14030 |
| 1938-39 | 681 | 42 | 371000 | 114 | 4.76 | 8.33 | 21 | 55 | 1000 |
| 1939-40 | 839 | 66 | 461000 | 136 | 12.77 | 16 | 27 | 79 | 13800 |
| 1940-41 | 835 | 81 | 654000 | 134 | 10.27 | 14.54 | 19 | 70 | 2000 |
| 1941-42 | 850 | 85 | 688000 | 134 | 7.9 | 10.55 | 25 | 75 | 16122 |
| 1942-43 | 875 | 86 | 725000 | 94 | 11.45 | 15.72 | 22 | 73 | 17325 |
| 1943-44 | 920 | 87 | 736000 | 95 | 15.32 | 20.19 | 27 | 75.8 | 18738 |
| 1944-45 | 1035 | 94 | 748000 | 98 | 10.57 | 14.26 | 21 | 70 | 19183 |
| 1945-46 | — | 98 | 828000 | 101 | 10.33 | 14.01 | 23 | 74 | 21512 |
| 1946-47 | — | 94 | 867484 | 103 | 11.6 | 14.38 | 22 | 80.7 | 22939 |
| 1947-48 | — | 99 | 978043 | 116 | 14.3 | 16.61 | 23 | 86.8 | 23927 |

TABLE III
Co-operative Marketing of Cereals in U.P.

| Year | No. of marketing unions | Total quantity handled (in mds.) | Value of quantity handled (in Rs.) | Profit (+) or Loss (—) (in Rs.) | Total cost of supervision (in Rs.) |
|---------|-------------------------|-------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| 1938-39 | 58 | 228000 | 700000 | +7000 | 17000 |
| 1939-40 | 75 | 300000 | 844000 | —56000 | 18138 |
| 1940-41 | 84 | 500000 | 1666000 | +208000 | 100030 |
| 1941-42 | 104 | 600000 | 1759000 | +109000 | 92200 |
| 1942-43 | 116 | 333000 | 2650000 | +209000 | 91400 |
| 1943-44 | 141 | 410000 | 3651000 | +328000 | 92909 |
| 1944-45 | 153 | 558000 | 5197000 | .. | 57814 |

From Table II, we find that the number of cane societies increased from 477 in 1937-39 to 1035 in 1944-45. The number of unions and membership also increased from 23 and 25,000 respectively in 1936-37 to 99 and 9,78,043 in 1947-48. The total quantity of cane supplied by these societies to the factories was 14.3 crores of maunds. It was 86.8 per cent, of the total cane supplied to the factories. This remarkable development has been possible because of the help rendered by the Provincial government in various ways. Since 1934-35, I.L.P. Government has maintained separate staff for cane development. Minimum prices for cane are fixed by the Government under U.P. Sugar Factories Act, 1938.

Besides sugar cane, the Province has also made headway in the co-operative marketing of cereals, ghee and oilseeds. Table

III indicates progress of co-operative marketing in cereals.

Co-operative marketing has been a notable success in Bombay since 1939. The marketing societies in the Province increased from 94 in 1938-39 to 197 in 1945-46. In 1941 the Bombay Provincial Co-operative Marketing Society was established. It sold agricultural products and vegetables valued at Rs. 2 lakhs and Rs. 18,000 respectively in 1945-46. Further, consumer's goods and manures valued at Rs. 12 lakhs and Rs. 24 lakhs respectively, were also supplied by it, during the same year.

Cotton sale societies are doing valuable work in Dharwar and Gujerat. In East and West Khandesh, such societies were established during the period 1939-46. They helped in the extension of the cultivation of

Jarilla cotton. Other co-operative marketing societies, such as those for marketing chillies, mangoes, gur, fruit, vegetables etc. also did good work. Table IV gives the annual balance sales effected by marketing societies in Bombay:

TABLE IV
Total Sales of Marketing Societies in Bombay

| Year | Rs. in lakhs |
|---------|--------------|
| 1939-40 | 79.91 |
| 1940-41 | 114.68 |
| 1941-42 | 129.77 |
| 1942-43 | 281.5 |
| 1943-44 | 128.05 |
| 1944-45 | 258.19 |
| 1945-46 | 417.65 |

Though the South Canara Co-operative Society was established for the joint sale of arecanuts on societies or marketing federations have been established in some

behalf of members as early as 1918, no progress in the co-operative marketing was made in Madras until the appointment of Deputy Registrars of Co-operative Societies in 1925. During the next five years, 75 societies were established. Their number rose to 189 in 1945-46. Most of them advance loans on the security of produce, but of late they have been undertaking other activities also, e.g. supply of seed, manure and implements, storage, processing - and sale of produce. The notable feature of the system in the Province is the scheme of 'Controlled credit', introduced in 1936. According to this scheme credit is linked with marketing. The scheme is functioning at present in twenty districts.

Moreover, central marketing districts to provide a co-ordinating agency. The total number of these federations is at present five. Among the co-operative societies, which have been an outstanding success may be mentioned the Tiruppur Co-operative Trading Society for cotton, the Tanjore Co-operative Marketing Federation for paddy and rice, the Coimbatore Marketing Society for jaggery, the Malabar District Co-operative Marketing Society for pepper, the Kodur Society for fruit, the Rasipuram Society for groundnut, cotton and ghee and the Bilgiri Potato Growers' Society for potatoes. The Madras Provincial Co-operative Marketing Society was established in 1936 for co-ordinating the activities of the various sale societies. Table V shows the progress of co-operative marketing societies in the State.

Free grants are made by the Provincial Co-operative Bank for the development of marketing societies. These grants amounted to Rs. 53,750 from 1940 to 1946. Further, loans to the extent of 75 per cent of the cost at 3½ per cent interest are given for constructing godowns. These loans are repayable in 30 years. Upto 1943-44, 89 godowns were constructed from such loans.

The Vijayaraghvacharya Committee on Co-operation, 1939-40,

TABLE V
Progress of Co-operative Marketing in Madras
(Rupees lakhs)

| Year | No. of Societies | Membership | Paid-up share capital | Loans issued | Value of Stock |
|---------|------------------|------------|-----------------------|--------------|----------------|
| 1936-37 | 111 | 12015 | 1.62 | 26.16 | 30.27 |
| 1937-38 | 118 | 18936 | 1.84 | 62.12 | 24.72 |
| 1938-39 | 134 | 27548 | .. | 95.86 | 45.87 |
| 1939-40 | 149 | 36787 | .. | 107.3 | 56.82 |
| 1940-41 | 161 | 45637 | .. | 142.56 | 46.57 |
| 1941-42 | 170 | 54840 | .. | 147.07 | 75.33 |
| 1942-43 | 172 | 61118 | 6.58 | 196.76 | |
| 1943-44 | 181 | 75828 | 7.85 | | 91.35 |
| 1944-45 | 181 | 90880 | 10.41 | 121.32 | 100.62 |
| 1945-46 | 189 | 96191 | 12.67 | 118.64 | 124.6 |

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recommended the formation of marketing societies at each and every taluk headquarters. In 1947 the Provincial Government prepared a five-year plan for the improvement of co-operative marketing. According to the plan, 250 large godowns and 280 small godowns are to be built at a cost of Rs. 20,000 and Rs. 10,000 each respectively.

Besides these three provinces, Behar has also made some progress in the marketing of cane though it is not comparable to what has been attained in UP. In other provinces co-operative marketing has not made much progress yet.

We thus find that the experiment in co-operative marketing has been a success in some of the provinces. But much greater expansion is needed to promote substantially the welfare of our peasantry. Provincial governments are now planning for the

expansion of this aspect of co-operation. The reports on the Co-operative Marketing of agricultural produce, the Co-operative Planning Committee and the Gadgil Committee—all have recommended a closer linking of marketing, finance and consumers' co-operation. We hope the authorities concerned will make earnest effort in this direction.

Price instability, however is a great stumbling block in the way of the smooth functioning of co-operative marketing. In the near future, when normal conditions of free trade are restored, the situation may get even worse. Moreover, problems of agricultural readjustment and reorganisation have to be faced. It is high time action were taken on the recommendations of the Prices Sub-Committee (Krishnamachar Committee) which favoured stabilisation of prices.

examine whether unfavourable balance of trade is necessarily a dangerous affair; further, if it really forbodes evil, in our case, and finally, to indicate a correct policy in the circumstances.

An unfavourable balance of trade may arise, generally speaking, in three sets of circumstances: (i) when there is a fortuitous deficit on current account, caused by either failure of normal exports or too liberal imports, (ii) when a country is borrowing, and (iii) when a country is repatriating loans and/or investments from other countries. The first is generally a result of either lack or fault of calculations or failure of exports, or due to inflationary situation within the country, and involves a net loss or drain and payment out of country's resources. This should naturally cause concern and be checked and corrected by *ad hoc* policies. The last two are the consequences of conscious policies, and if judiciously used, may advance considerably the industrial development of a country. They should, therefore,

Is Our Unfavourable Balance of Trade Disastrous or Transient?

B. S. Bhatnagar, M. Com.

INDIA had the tradition of enjoying a favourable balance of trade ever since statistics of foreign trade came to be collected in modern times. This enabled us to transfer the Home Charges and remit other payments to U.K. every year until the last war. An adverse balance of trade would have made it difficult to meet these invisible payments, hence it was considered ominous and intolerable. During all these years, the fiscal and monetary policies of the Government were directed to maintain, nay, evolve a perennial favourable balance of trade.

During the years of world war II, the normal oceanic channels of international trade dried up and were subjected to severe controls. Prodigious 'unilateral transfers' were made by this country to the Allies, a favourable balance of trade of unprecedented magnitude developed leading to the accumulation

of large sterling balances and redemption of all the sterling debts of India.

In the years immediately following the cessation of war, we continued to enjoy an easy position in respect of the balance of trade. Thus we had a comfortable balance of trade until the half-year ending June 1948 after which, however, there has been a swing in the opposite direction. Thus, the total current transactions in the half-year ending December 1948 and June 1949, showed deficits of Rs. 141.7 and Rs. 177.6 crores respectively.

This shocked the country, Economists and publicists took a grave view of the situation. This cannot be allowed to continue for any length of time, it is suggested as it may drive the country into insolvency. Drastic steps have been taken to keep the monster of unfavourable balance of trade away.

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