

Tardy Progress of Cooperative Marketing

N A Mujumdar

IN any programme of cooperative development, marketing is bound to play a crucial role. From the point of view of economic reorganisation, processing and marketing are undoubtedly 'the most strategic', as even the success of cooperative credit seems, ultimately, to hinge upon them. Hence, although cooperative marketing societies lack even the numerical impressiveness which the credit societies marshal for themselves, there is an imperative need for a comprehensive study of the problems that beset them. This task has been ably undertaken by the All India Cooperative Union, which conducted a Seminar on Cooperative Marketing during September 1958, the proceedings of which have now been published. (*Report of the All-India Seminar on Cooperative Marketing of Agricultural Produce*. Vol T. All-India Cooperative Union. New Delhi.)

Cooperative marketing of agricultural produce formed an important part of the integrated scheme of rural credit. It received serious attention only under the Second Plan. Precise targets were prescribed, for the first time, in respect of the number of marketing societies to be organised, the number of sugar factories, cotton gin houses and other processing units to be set up and the warehouses and godowns to be built by the Central and State Warehousing Corporations as well as by Marketing Societies.

As a result of the vigorous policy pursued in the initial years of the Second Plan and thanks largely to the efforts of the Reserve Bank, progress in the field of cooperative credit has been somewhat satisfactory. The loans advanced by primary agricultural societies, for instance, rose from Rs 22.90 crores in 1950-51 to Rs 67.33 crores in 1956-57. So also did the advances of the Reserve Bank of India rise from a meagre sum of Rs 5.37 crores in 1950-51 to Rs 65.41 crores in 1957-58.

Progress in the field of cooperative marketing has, however, lagged far behind cooperative credit. The Plan envisaged the organisation of 1,800 primary marketing societies at important *mandis*, which among

themselves, were to handle about 10 per cent of the marketable surplus by the end of the Plan period. Each State was also expected to organise an apex marketing society to handle inter-State trade and distribution of essential goods and also to stimulate export trade through cooperative channels. There was also the provision for construction of 1,500 godowns by marketing societies.

During the first two years of the Plan period, 719 primary marketing cooperatives have been established. Apex marketing societies have been constituted in 10 States. These figures may suggest progress according to schedule: but when they are qualitatively judged, a different picture emerges. Marketing societies have not been able to handle any substantial proportion of the marketable surplus in their areas of operation. A large part of the business done by marketing societies has been the granting of advances against the pledge of produce. The programme of linking credit with marketing has not succeeded to any appreciable extent in many States. The State Marketing Societies in most States have only just been organised and, therefore, they are yet to take roots. Similarly, from the structural point of view, the relationship between the primaries and the federations is yet to be established properly. The administrative and technical personnel have not been able yet to get a firm grip over the situation.

In respect of processing, the trends are far less encouraging. Out of 35 cooperative sugar factories programmed during the Second Plan, only 14 were in production during 1957-58. In terms of output the cooperative sector has contributed only 7 per cent of the total sugar production. It has to be admitted that, besides sugar factories, very little progress has been made in the direction of establishment of other cooperative processing units.

That the overall picture of cooperative marketing and processing has been disappointing is admitted in no uncertain terms by the Reserve Bank in its latest *Review of the Cooperative Movement in India* 1956-58. (Reserve Bank of India. 1960).

What such a tardy pace of development means even for the development of cooperative credit is clearly brought out by it in the following words:

"Without a sound structure of cooperative marketing and processing, the pace for expanding cooperative credit will sustain a set-back because the recoveries of the loans given by agricultural credit societies for agricultural operations have to be effected by the marketing and processing societies .

What precisely are the factors that hinder the growth of cooperative marketing? Or, how does one account for the slow rate at which the expansion programme is proceeding? The Cooperative Union's Seminar Report thrashes out, in admirable detail, the host of problems facing these societies—problems relating to the structure, relationship between marketing and credit, finance, training of personnel, relationship between processing, storage and warehousing, etc. The Reports of the Working Groups as well as the ensuing discussion help to clear up many subtle issues implicit in the implementation of the programme. The discussion on the role and function of the warehousing programme *vis-a-vis* the marketing cooperatives is an instance in point.

Although the Seminar brought together persons who were directly concerned, at different levels, with the development of cooperative marketing and processing, one gets the impression that not much light is thrown on the specific practical problems that confront such societies. Possibly, the comprehensiveness of the compass itself is partly responsible for the emphasis on generalities.

One would like to know why is it that at least in some parts of the country marketing cooperatives have developed considerably? The *Rural Credit Follow-Up Survey*, 1956-57, General Review Report, (Reserve Bank of India. 1960) gives an interesting insight into some aspects of this question. The analysis here is based on an intensive enquiry conducted into 42 selected marketing societies in 11 districts.

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If the proportion of produce marketed through cooperatives to total produce sold by cultivators is taken as an indicator of performance of marketing cooperatives, the study reveals that the degree of progress varies a great deal from district to district. Marketing through cooperatives, accounted for about half of the total value of produce sold in Broach; about one-third in Dharwar and one-tenth in East Khandesh. As against this, in other districts less than 1 per cent of the produce was sold through cooperatives.

Thus it was only in the former three districts that cooperative marketing had developed to any significant extent. In Broach, particularly, cooperatives were all developed and were slowly replacing private trading agencies. This was rendered possible by the efficient management of marketing cooperatives, cooperative processing of produce before sale, and liberalised scales of finance. Further, the cottonseed multiplication scheme in operation provided a built-in mechanism for ensuring that pledge finance was availed of only by the growers.

Cooperative marketing in Dharwar was, however, adversely affected by the prevailing system of trade credit, the practice of mixing cotton and the inability of cooperatives to take up processing activities. The problem of trade credit manifested itself also in East Khandesh.

In West Godavari, marketing cooperatives made no effort at developing processing activities and therefore made little progress in marketing. In Ferozapur, again, where conditions favourable for development of marketing were present, viz, good communication facilities and regulated markets, weak primary credit societies and trader-dominated marketing cooperatives impeded progress. Marketing cooperatives here were reduced to mere assembling agencies. In Nadia, marketing cooperatives could not make headway owing to the peculiar nature of the jute trade and the absence of processing facilities.

These few instances are sufficient to indicate the regional variations in the problems that marketing cooperatives have to face. This only goes to underline the need for intensive investigations into these societies in each region so that future

policy may be suitably modified to meet the specific needs of each region.

On the broad nature of the problem there has probably been enough discussion. Take one instance: "Shortage of trained personnel with the necessary business acumen" writes the *Follow-Up Survey* referred to above. 'ordinarily resulted in the employment of persons who were not competent to hold the posts of managers and secretaries of the marketing societies. This was an important factor preventing a

more rapid growth of cooperative marketing". As far back as 1928, the Royal Commission on Agriculture wrote "Experience has shown that great care is required in the organisation of sale societies. Skilled technical advice and guidance are necessary but even more important is proper business management. Unless this is available, the society must inevitably come to grief".

It is time that we get down to specific issues implicit in, the implementation of the programme.

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