



Agricultural Co-operative Marketing in India

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Abstract

This paper highlights the objectives, need for development, reasons, co-operative marketing structure, growth and development, special characteristic of agricultural sector, perishability, seasonality, bulkiness, variation in quality, size of holdings, irregular supply of agricultural products and present position of agricultural marketing.

Keywords: Agricultural product, bulkiness, Perishability, seasonality.

Introduction

Co-operative marketing is the system by which a group of farmers join together on some or for all the process involved in bringing goods from the producers to the consumers (According to Reserve Bank of India).

Co-operative marketing is voluntary and commercial organization which is made for buyers and sellers.

Marketing is a critical to better performance in agriculture as farming itself. Therefore, market reform ought to be an integral part of any policy for agricultural development. Rapid progress has been achieved in technological improvements in agricultural by the use of high-yielding variety seeds, chemical fertilizers, and by the adoptions of plant protection measures. However, the rate of growth in farming in developing countries has not attained the expected levels. This has been largely attributed to the fact that no enough attention has been devoted to the facilities and services which much be available to farmers.

Agricultural marketing was, till recently, not fully accepted as an essentially element in agricultural development in the countries of Asia and the Far East. Although opinions differ as to

the extent and precedence there was general agreement till 1970 that the questions of markets for agricultural commodities has been neglected. Agricultural marketing occupies a fairly low place in agricultural development policies of developing countries. The National Commission on Agriculture (1976) has emphasized that it is not enough to produce a crop or an animal product, but it must be satisfactorily marketed.

The term agricultural marketing is composed of two words: Agriculture and marketing. Agriculture, in the broadest sense means activities aimed at the use of natural resources for human welfare, i.e it includes all the primary activities of production.

But, generally it is used to mean growing and / or raising crops and live stock. Marketing connotes a series of activities involved in moving the goods from the point of production to the point of consumption. It includes all the activities involved in the creation of time, place, form and possession utility.

According to Thomson, the study of agricultural marketing comprises all the operations and the agencies conducting them involved in the movement of farm-produced foods, raw materials final consumers and the effects of such operations in farmers, middlemen and consumes. This definition does not include the input side of agriculture.

Agricultural marketing is the study of all the activities, agencies and policies involved in the procurements of farm inputs by the farmers and the movement agricultural products from the farms to the consumers. The agricultural marketing system is a link between the farm and the non-farm sector. It includes the organization of agricultural raw materials. Supply to processing industries, the assessment of demand for farm inputs and raw materials, and the policy relating to the marketing of farm products and inputs.

According to the 'National Commission on Agriculture' (XII report) Agriculture marketing is a process which starts with a decision to produce a saleable farm commodity and it involves all the aspects of market structure or system, both functional and institutional based on technical and economic considerations and the includes pre and post-harvest operations, assembling, grading, storage, transportation and distribution.

Objectives of Co-operative Marketing

The main objectives of co-operative marketing societies are:

- To sell the members product directly in the best market and in a state which attract the best price.
- The marketing co-operative can generate the necessary holding power with the farmers by providing easy and cheap credit to them.
- To aid the members to produce the best produce and those that are the high demand.
- Co-operative can help to reduce the price spread.

- The give faire weight.
- To handle the crop cleanly without damage or waste in a way that will increase its values.
- Co- operative as an organized unit can strike better bargain and get better terms from the organized traders.
- To grade the produce in such a way that best price is obtained for all qualities to the advantage of the producers.
- By advancing on fair terms which help the member to finance himself while he is waiting for his crop to ripen.
- To give the farmer a better understanding of all stages in marketing process.
- Co-operative marketing may have a healthy impact on the market trends and will help in the stabilization of prices.

Need for Development of Co-operative Marketing

Reasons

- The promotion of co-operative marketing has been deemed necessary not only because co-operative marketing is desirable as such but also that it is an essential prerequisite for large scale expansion of co-operative credit. Co-operative marketing societies are expected to ensure a better return to the farmer on the produce raised by him with the assistance of loans from co-operative sources. Thus the success of co-operative credit societies depends largely on the development of co-operative marketing societies. In this way co-operative marketing constitutes a vital feature of the integrated programme of co-operative development envisaged in the country.
- There exist a large number of middlemen who take part in collection, storage, financing, insuring, grading, sale and transportation of agricultural produce. Co-operative marketing if efficiently organized can help to reduce the price spread between the producer and consumer thereby assisting in giving a fair return to the producer without adversely affecting the legitimate interest of the consumers. The consumers are also benefited in price and quality when they get supplies from producers directly.
- Several malpractices prevail in the system of agricultural marketing such as arbitrary deduction from the price of the produce, manipulation such of weight and scales, and collusion between the brokers and buyers. These malpractices were regarding as 'nothing less than theft' by the 'Royal Commission an Agriculture'. In such circumstances, co-operative marketing of agricultural produce can largely help to reduce, it not eliminate the malpractice prevalent in the marketing structure.

- Even in normal market condition, co-operative marketing of agricultural produce has been considered necessary but this need becomes much greater when market conditions deviate from healthy practices and where undesirable forms of speculations of middlemen leads to price manipulations and resultant fluctuations in prices.

In all these circumstances, the need for co-operative marketing of agricultural produce on a large scale becomes urgent so that it can help in stabilizing prices.

Co-operative Marketing Structure

In most of the states, there is a two tier structure of co-operative marketing with primary marketing societies at the village level, and secondary marketing at district level and apex marketing federation at the state level. However in some states like Andhra Pradesh, Gujarat, Hariyana, Himachal Pradesh, Maharashtra, Punjab and Uttar Pradesh. These are intermediate tiers at the district level mainly as a legacy of the past.

- ***Primary Marketing Society***

Co-operative marketing has a pyramidal structure. It basically has two divisions. One primary marketing societies and secondary primary non-agriculture marketing societies. The primary marketing societies are basically involved in purchase, sale and production of agricultural commodities. These societies collect, grade, standardize and make arrangements for the sale of produce of their members and also advance loans to the members against goods produced.

- ***Central Marketing Societies***

The Central marketing societies generally operate over a part of, an entire district. They do the work of buying and selling and extend credit and other help to the primary societies. These societies generally purchase and sell food grain, cotton and oil seeds in Gujarat and Maharashtra. These societies became very active during the Second World War but with the withdrawal of control, however, their work has been reduced.

- ***State Marketing Societies***

At the top, there are the state marketing societies or federations which are intended to help us apex institution for all co-operative marketing societies operating in a state. They do the work of buying and selling and give credit and other facilities to the central and primary societies. These societies are mainly engaged in wholesale or monopoly distribution of chemical fertilizers, controlled commodities like iron, steel and cement consumer goods (like sugar, wheat, kerosene, coffee, seed, rice) and agricultural implements and insecticides. Their memberships consist of the individual and the societies. Such societies have been established in a few states and their work is limited in scope.

Growth and Development of Marketing Co-operatives

The first marketing society to be started in India was the 'Kumbakonam Agricultural Society' in 1913 to undertake the supply to its members seeds, manure implements and to arrange for the sale of their produce. Gradually, co-operative sales societies were started at various places for marketing of each crop such as 'The Cotton Sales Society' in Karnataka. 'The Gadag Sales Society' at Gadag 1918, Sonsek Cotton Sales and Seed Supply Society (1921) the Co-operative Sales Societies in Gujarat, the Doppin Gujarat Co-operative Cotton Marketing Union at Surat (1930) the Loan and Sales Societies in Madras, Co-operative Commission Shops in Punjab, Ghee and Sugar Cane Sales Societies in U.P (1930-31) Southern Gujarat Fruit and Vegetable Growers Association at Pardi (1935) etc.

In the post-war period in 1945 the co-operative planning committee had recommended that within 10 years, 25 percent of the total annual marketable surplus of the agricultural produce should be sold through co-operative organizations and for this purpose, a marketing society should be organized at each of the 2000 mandies in the country. No planned efforts were made to implement this recommendation. In 1951 when the 'All India Rural Credit Survey' was brought out, the position in regard to co-operative marketing was found to be extremely unsatisfactory. This survey observed that "out of the 75 districts selected for survey, only 12 reported any sales through co-operative organization" of these 12 districts only 5 reported sales of produce through co-operative exceeding 11% of total sales through all agencies. All the co-operative marketing societies in India put together still fail to catch one attention as anything important. Lacking in this respect even that purely numerical impressiveness which, on paper, credit societies manage to marshal between co-ordination of function between the primary credit and marketing societies or between units at different levels in some region. The state cum-co-operative activity especially co-operative marketing and processing and for the co-ordination and implementation of country's wide programme for the development of storage and ware housing of agricultural commodities and for a country wise organization of a distribution machinery for reaching out to the agriculturist the basic goods as a producers and consumers. The report recommended the formation of the 'National Co-operative Development Warehousing Board'.

Agricultural Marketing in India

Reliable data about marketable surplus and marketed surplus of different agricultural commodities in India are not available. It is, however, estimated that the marketed surplus varies from 16 percent for millets to 60 percent for pulses. For rice it is 28 percent, for wheat 37 percent and for maize 25 percent. In respect of commercial crops, it varies from 75 to 100 percent.

The size of India's marketed surplus is observed to be increasing due to increase in the production, increase in the proportion of population living outside villages, increase in commercial willing of rice and a general increase in incomes enabling villagers to purchase more food from outside sources. These factors together probably have raise India's marketed surplus of food grains to nearly 35 percent of production.

The need for improvement of marketing in India was felt only, after the publication of the report of the Royal commission on Agricultural in 1928. It is reported by the commission that, the

marketing of produce is such an important matter from a cultivator's point of view that we consider an expert marketing officer should be appointed to the staff of the agricultural departments in all major provinces. The 'Central Banking Enquiry Committee', in 1931 endorsed the recommendations of Royal Commission and further suggested the setting up of a central agency for initiating and coordinating different activities relating to the development of marketing. Based upon these recommendations, a central organization under the name of office of the agricultural marketing adviser to the government of India was set up in 1934. This office has come to be subsequently known as the 'Directorate of marketing and inspection' which performs functions like (I) promotion of grading and standardization of agricultural, horticultural dairy and livestock commodities, (II) statutory regulation of market practices (III) research and surveys (IV) training of personnel (V) market extensions, and (VI) administration of the cold storage order 1964 and meat food products order 1973.

The directorate has carried out marketing surveys of agricultural commodities on all India basis and about 140 marketing survey reports relating to the various important commodities have been published. These surveys included important aspects of marketing like, trends in production and utilization in India as well as world markets, net available supplies, market surpluses, prices, market practices in respect of assembling and distribution, transport, storage, processing, commercial, classification, financing, market functionaries, marketing costs and price spreads.

In order to prevent unhealthy speculation forward trading in agricultural commodities is regulated under the forward contracts regulation act 1952. For enforcing the provisions of the act, the forward markets commission has been created in 1953. The commission has established forward markets in raw cotton, ground nut oil, coconut oil, black pepper and oil seeds. The policy followed in this connection is that there should not be any monopoly in forward marketing of single centre and that forwarded marketing should be brought as near to different regions as possible.

For the purpose of widening the market of agricultural produce and to avoid manipulations in prices to producer-sellers, 'Standard Weight Act' 1939 and the 'metric systems and measures act' 1958 were enacted and their application has been made compulsory throughout the country.

To enable the produce of good quality for export and internal consumption, grades, standards, quality and appropriate trade marks have been developed under the Agricultural Produce (Cording and Marketing) Act 1937. The agricultural products are graded under the trade mark 'AGMARK'. The important commodities graded under AGMARK for internal consumption include cotton, vegetable oils, ghee, cream, butter, eggs, rice, wheat, atta, jiggery, potatoes, pulses, honey and ground spices. Total volume of commodities graded for internal consumption during 2010-11 was about Rs. 615 crores.

To ensure the purity and quality of products graded under Agmar, 21 laboratories have been set up at different places of the country, with the central AGMARK laboratory at Nagpur as the apex laboratory to provide necessary testing facilities.

The market extension call has been organized at Nagpur for the purpose of collecting and disseminating information regarding marketing services, regulatory measures, handling and storage of agricultural produce among producers, traders and consumers. Persons from different states are

also given training in various fields of agricultural marketing by the directorate of marketing and inspection.

In order to provide ware housing facilities to the traders, the Agricultural Produce (Development and Warehousing Corporation) Act was passed in 1957 at Delhi and 'State ware housing corporations in each state.

With the availability of increasing marketable samples in agriculture, inadequacy of storage has emerged in the last few years as one of the most serious problems of post harvest management.

The Rural Credit Survey Committee (1954) had recommended a storage system at national, state, district and village levels. Accordingly, the Food Corporation of India and Central ware housing corporation were required to create storage facilities at centers of all India importance. The state governments and the state ware housing corporations at centres of state/ district level are important. Rural storage needs were to be looked after by the co-operatives. The owned and hired storage capacity with various public agencies also increased from 118.72 lakh tones on the eve of the fifth plan to 185.78 lakh tones on 31st March 1980. The storage capacity of the Central Warehousing Corporation by the end of September 1980 was the order of 35.60 lakh tones (godowns 20.99 lakh tones owned 13.10 lakh tones hired and open storage 1.51 lakh tones).

The Cold Storage Order 1964 is enforced by the directorate for developing scientific cold storage and minimizing loss in storage. So far 2.234 cold storages with capacity of 38.74 lakh tones been established in the country. The directorate also implemented the Meat Food Products Order 1973 throughout the country to ensure quality control of meat products for human consumption. So far 112 units have been granted licenses and 7000 tonnes of meat products have been certified during 1980-81.

Marketing of Horticultural Products

The marketing of Horticultural products is different from the marketing of manufactured commodities because of the special characteristics of the horticultural sector (demand and supply) which have a bearing on marketing.

Because of these characteristics, the subject of horticultural marketing has been treated as a separate discipline and this fact makes the subject somewhat complicated. Those special characteristics of the horticultural sector affect the supply and demand of horticultural products in a manner different from that of government supply and demand of manufactured commodities. The special characteristics which the agricultural sector possesses and which are different from those of the manufactured sector are :

- ***Perishability of the Product***

Most farm products are perishable in nature, but the period of their perishability varies from a few hours to few month. To a large extent, the marketing of farm products is virtually a race with death and decay. Their perishability makes it almost impossible for producers to fix the

reserve price for their farm-grown product. The supply of agricultural products is irregular, the price of the crop therefore fluctuates both during the year and from year to year. The extent of perishability of farm products may be reduced by the processing functions, but they cannot be made non-perishable like manufactured products, can their supply be made regular.

- ***Seasonality of Production***

Farm products are produced in a particular season; they cannot be produced throughout the year. In the harvest season, prices fall. But the supply of manufactured products can be adjusted or made uniform throughout the year. Their prices therefore remain almost the same throughout the year.

- ***Bulkiness of Products***

The characteristics of bulkiness of most farm products make their transportation and storage difficult and expensive. This fact also restricts the location of production to somewhere near the place of consumption or processing. The price spread for bulky products is higher because of the higher costs of transportation and storage.

- ***Variation in Quality of Products***

There is a large variation in the quality of agricultural products, which makes their grading and standardization somewhat difficult. There is no such problem in manufactured goods, their products are in a uniform quality.

- ***Small Size of Holdings and Scattered Production***

Farm products are produced throughout the length and breadth of the country and most of the produces are in small size. This makes the estimation of supply difficult and creates problem in marketing.

- ***Irregular Supply of Agricultural Products***

The supply of agricultural products is uncertain and irregular because of the dependence of agricultural production on natural conditions. With the varying supply, the demand remaining almost constant, the prices of agricultural products fluctuate substantially.

- ***Processing***

Most of the farm products have to be processed before their consumption by the ultimate consumers. This processing function increases the price spread of agricultural commodities.

The seasonality of production and perishability of the product are the characteristics features of horticultural crops. This results in wide fluctuations in prices and causes difficulties in marketing. Fruit marketing is one of the crucial problems which have a direct bearing upon the prosperity of the fruit cultivators in India.

The present of agricultural marketing in India is far from satisfactory and need modification. In cases of marketing of fruits, produces has to sell his produce immediately after harvest as the produce is perishable. The producer does not have the ability to withhold the sale for want of sufficient financial resources and facilities for preservation of the product. Development of preservation and processing technology and easy accessibility to the producer can help the development of fruit cultivation. Till the required infrastructural development takes place, the intermediaries viz., pre-harvest contractor, commission agent wholesalers and retailers will continue to play their own role in the marketing of fruits and their products.

Suggestions

India is agriculturally dominated country. In developing countries agriculture contributes in a large measure to national income and output, thereby demonstrating its potentialities for capital formation. It is statistically important to ensure large agricultural surpluses, agricultural products is one of the most solid means of promoting industrialization, agricultural business has immense potential for generating incomes and employment in the Indian rural sector, co-operative marketing societies are made for buyers and sellers. It should provide financial assistance and marketing process activities at cheaper rate.

- Co-operative marketing structure should improve at all levels. Agricultural marketing is to improve the farming community.
- Co-operative society give first priority towards perishable products.
- The prices of the products should reasonable to the consumers throughout the year.
- In bulkiness of products, logistics should cheaper.
- The present position of agricultural marketing in India is far from satisfactory and need modification

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