The Role of Co-Operative Marketing In Agriculture Sector
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ABSTRACT

Indian economy is rural in character. This is evident from the fact that a very high proportion of the population is living in rural areas. Further two-thirds of its workforce is engaged in agricultural and allied activities, which contribute about 27% of India’s gross domestic product. In a predominantly agrarian country like India, rural development is a sine qua non for national development. Marketing of agricultural produce is considered as an integral part of agriculture, since an agriculturist is encouraged to make more investment and to increase production. Thus there is an increasing awareness that it is not enough to produce a crop or animal product; it must be marketed as well. A higher level of achievement could be achieved with the available natural, human, material and financial resources in the country. If the goals of rural development are to be achieved it is necessary that the rural people be organized within an institutional structure that gives them access to the national, economic, political and social system. In India, cooperatives are the most commonly found form of people’s organization. Agricultural marketing cooperatives are businesses owned by farmers, to undertake transformation, packaging, distribution, and marketing of farm products. This paper discusses the present scenario of agricultural co-operative marketing and its need, importance and objectives and its role in improving both the social and economic welfare of farmers as well as overall country. It also highlights certain problems related to co-operative marketing. Further this paper highlights the improvements that make the co-operative marketing most effective.

Keywords: Economy, Population, Production, Development, Welfare.
1. INTRODUCTION:

Around 700 million people, or 70% of India’s population, live in 6,27,000 villages in rural areas. 90% of the rural population is concentrated in villages with a population of less than 2000. Rural marketing is as old as the civilization. Surplus of agro-products are exchanged in earlier days in the barter system. Agricultural marketing cooperatives are cooperative businesses owned by farmers, to undertake transformation, packaging, distribution, and marketing of farm products. The first agricultural cooperatives were created in Europe in the second half of the nineteenth century. They spread later to North America and the other continents. They have become one of the tools of agricultural development in emerging countries. Cooperatives as formal associations came to be set up in India from 1904 mainly as credit societies, followed by non-credit societies from 1912. The Royal Commission on Agriculture in 1928 underlined the importance of cooperatives: “If cooperation fails, there will fail the best hope of rural India”.

With three-fourths of the population in rural areas, cooperatives were considered necessary instruments of agro-socio-economic change. The All India Rural Credit Survey in 1954 advocated equity participation by government in cooperatives. It proposed measures to promote rural cooperatives. To develop post-harvest and income generation in poultry, dairy, handlooming, horticulture, fisheries, and sericulture through cooperatives, a national level institution, the National Cooperative Development Corporation (NCDC) was formed in 1962. Subsequently, disbursement of agro-rural production credit was institutionalized by creation of National Bank for Agricultural and Rural Development (NABARD) in 1981. Such measures marked the transfer of development functions from Government departments to statutory and autonomous institutions. Coupled with local initiatives, these steps had a tremendous impact on organization of cooperatives. The result was horizontal and vertical growth of cooperatives such as in banking, agro-marketing, agro-processing, dairy, fisheries, poultry, consumer, labour, industrial, housing, irrigation, electricity, and fertilizer production.

2. THE MAIN OBJECTIVES OF THE STUDY

1. To understand the need and importance of agricultural co-operative marketing.
2. To find the relationship between agricultural co-operative marketing and social and economic welfare of farmers and overall country.
3. To describe the problems related to co-operative marketing.
4. To suggest improvements that make the co-operative marketing most effective.

3. NEED AND IMPORTANCE OF AGRICULTURAL CO-OPERATIVE MARKETING:

The need for co-operative marketing arose due to many defects observed and experienced in the private and open marketing system. There are several malpractices prevail in the marketing of agricultural produce. For example, arbitrary deductions from the produce, manipulation of weights and measures and cheating the farmers, collusion between the broker and the buyer while fixing the prices, delay in payment of amounts due to farmers, etc. The result is the farmers are indebted to trader - moneylender. In such circumstances co-operative marketing society can largely help the farmers reduce the malpractices and offer honest and correct services. There exists a chain of intermediaries between the producer and the final consumer. They include village merchant, itinerant trader, wholesaler, commission agent, pre-harvest contractor and retailer. They take their own margins for the services, they render. But these margins are generally exorbitant, making the commodities costly for the consumers and reducing the producer’s share in the consumer’s price. A co-operative marketing society can eliminate some or all of the intermediaries and can reach to the consumers and establish direct trade relations with them. This will make commodities cheaper to the consumers and also ensure good quality of produce to them because much of the handling is avoided. There are some services such as transport, storage, financing, grading, packing, loading/unloading which are carried out by some private functionaries who charge high rates for these services. A co-operative marketing society performs these services efficiently and at cheaper rates.

A co-operative marketing society provides market finance to farmers and ensures better returns to their produce. Besides marketing society can act as an agent of credit co-operative society and help to recover loans advanced by credit societies. At present, most of the financial needs of the farmers are fulfilled by trader - moneylenders at very high rates of interest and with the condition that they will sell their produce through them. This can be avoided, if there is co-operative marketing society. Cooperatives as a form of business organization are distinct from the more common investor-owned firms (IOFs).

Both are organized as corporations, but IOFs pursue profit maximization objectives, whereas cooperatives strive to maximize the benefits they generate for their members (which usually involves zero-profit operation). Agricultural cooperatives are therefore created in situations where farmers cannot obtain essential services from IOFs (because the provision of these services is judged to be unprofitable by the IOFs), or when IOFs provide the services at disadvantageous terms to the farmers (i.e., the services are available, but the profit-motivated prices are too high for the farmers). The former situations are characterized in economic theory as market failure or missing services motive. The latter drive the creation
of cooperatives as a competitive yardstick or as a means of allowing farmers to build countervailing market power to oppose the IOFs. The concept of competitive yardstick implies that farmers, faced with unsatisfactory performance by IOFs, may form a cooperative firm whose purpose is to force the IOFs, through competition, to improve their service to farmers. A practical motivation for the creation of agricultural cooperatives is related to the ability of farmers to pool production and/or resources. In many situations within agriculture, it is simply too expensive for farmers to manufacture products or undertake a service. Cooperatives provide a method for farmers to join together in an ‘association’, through which a group of farmers can acquire a better outcome, typically financial, than by going alone. This approach is aligned to the concept of economies of scale and can also be related as a form of economic synergy, where "two or more agents working together to produce a result not obtainable by any of the agents independently". While it may seem reasonable to conclude that a larger the cooperative the better, this is not necessarily true. Cooperatives exist across a broad membership base, with some cooperatives having less than 20 members while other can have over 10,000. While the economic benefits are a strong driver in forming cooperatives, it is not the sole consideration. In fact, it is possible for the economic benefits from a cooperative to be replicated in other organisational forms, such as an IOF. An important strength of a cooperative for the farmer is that they retain the governance of the association, thereby ensuring they have ultimate ownership and control. This ensures that the profit reimbursement (either through the dividend payout or rebate) is shared only amongst the farmer members, rather than shareholders as in an IOF.

In agriculture, there are broadly three types of cooperatives: a machinery pool, a manufacturing/marketing cooperative, and a credit union.

3.1 Machinery Pool: A family farm may be too small to justify the purchase of expensive farm machinery, which maybe only used irregularly, say only during harvest; instead local farmers may get together to form a machinery pool that purchases the necessary equipment for all the members to use.

3.2 Manufacturing/marketing cooperative: A farm does not always have the means of transportation necessary for delivering its produce to the market, or else the small volume of its production may put it in an unfavorable negotiating position with respect to intermediaries and wholesalers: a cooperative will act as an integrator, collecting the output from members, sometimes undertaking manufacturing, and delivering it in large aggregated quantities downstream through the marketing channels.

3.3 Credit Union: Farmers, especially in developing countries, can be charged relatively high interest rates by commercial banks, or even not available for farmers to access. When providing loans, these banks are often mindful of high transaction costs on small loans, or may be refused credit altogether due to lack of collateral - something very acute in developing countries. To provide a source of credit, farmers can group together funds that can be loaned out to members. Alternatively, the credit union can raise loans at better rates from commercial banks due to the cooperative having a larger associative size than an individual farmer. Often members of a credit union will provide mutual or peer-pressure guarantees for repayment of loans. In some instances, manufacturing/marketing cooperatives may have credit unions as part of their broader business. Such an approach allows farmers to have a more direct access to critical farm inputs, such as seeds and implements. The loans for these inputs are repaid when the farmer sends produce to the manufacturing/marketing cooperative.

The importance of an efficient cooperative marketing systems are:

- It enables the primary producers to get the best possible returns,
- It provides facilities for lifting all produce, the farmers are willing, to sell at an incentive price.
- It reduces the price difference between the primary producer and ultimate consumer.
- It makes available all products of farm origin to consumers at reasonable price without impairing on the quality of the produce.

4 The Cooperative Marketing in Socio-economic Welfare of farmers:

The small and marginal farmers continue to sell a major part of their produce to moneyminders to meet their credit needs and these moneyminders offer them very low prices. Therefore it is essential to form cooperatives of the small and marginal farmers to enable them to obtain fair prices for their produce. The advantages that co-operative marketing can confer on the farmer are multifarious, some of which are listed below:-

4.1 Increases bargaining strength of the farmers: - Many of the defects of the present agricultural marketing system arise because often one ignorant and illiterate farmer (as an individual) has to face well-organised mass of clever intermediaries. If the farmers join hands and for a co-operative, naturally they will be less prone to exploitation and malpractices. Instead of marketing their produce separately, they will market it together through one agency.
4.2. **Direct dealing with final buyer:** In cases, the co-operatives can altogether skip the intermediaries and enter into direct relations with the final buyers. This practice will eliminate exploiters and ensure fair prices to both the producers and the consumers.

4.3. **Provision of credit:** The marketing co-operative societies provide credit to the farmers to save them from the necessity of selling their produce immediately after harvesting. This ensures better returns to the farmers.

4.4. **Easier and cheaper transport:** Bulk transport of agricultural produce by the societies is often easier and cheaper. Sometimes the societies have their own means of transport. This further reduces cost and botheration of transporting produce to the market.

4.5. **Storage facilities:** The co-operative marketing societies generally have storage facilities. Thus the farmers can wait for better prices. Also there is no danger to their crop yield from rains, rodents and thefts.

4.6. **Grading and standardization:** This task can be done more easily for a co-operative agency than for an individual farmer. For this purpose, they can seek assistance from the government or can even evolve their own grading arrangements.

4.7. **Market intelligence:** The co-operatives can arrange to obtain data on market prices, demand and supply and other related information from the markets on a regular basis and can plan their activities accordingly.

4.8. **Influencing marketing price:** While previously the market prices were determined by the intermediaries and merchants and the helpless farmers were mere spectators forced to accept, whatever was offered to them, the co-operative societies have changed the entire complexion of the game. Wherever strong marketing co-operative are operative, they have bargained for and have achieved, better prices for their agricultural produce.

4.9. **Provision of inputs and consumer goods:** The co-operative marketing societies can easily arrange for bulk purchase of agricultural inputs, like seeds, manures fertilizers etc. and consumer goods at relatively lower price and can then distribute them to the members.

4.10. **Processing of agricultural produce:** The co-operative societies can undertake processing activities like crushing seeds, ginning and pressing of cotton, etc.

5 **Problems Related to Co-operative marketing:**

Despite rapid growth and tremendous benefits of co-operative marketing, the overall progress of cooperative movement during 100 years of its existence is not very impressive. It is therefore necessary to know the causes of poor performance of the movement and on that basis take such steps as would promote a faster growth of cooperative movement in India. Some problems of cooperative marketing are:

5.1. **Government Interference:** The cooperative movement in India was initiated in 1904 under the auspices of British government. Right from the beginning the govt. has adopted an attitude of patronizing the movement. Cooperative institutions were treated as if these were part and parcel of the administrative set up of the government. The govt. interference thus became an essential element in the working of these institutions. As a result people’s enthusiasm for the movement did not grow.

5.2. **Problems in Management:** Generally it is seen that co-operative societies do not function efficiently due to lack of managerial talent. The members or their elected representatives are not experienced enough to manage the society. Again, because of limited capital they are not able to get the benefits of professional management.

5.3. **Limited Capital:** The amount of capital that a cooperative society can raise from its members is very limited because the membership is generally confined to a particular section of the society. Again due to low rate of return the members do not invest more capital. Government’s assistance is often inadequate for most of the co-operative societies.

5.4. **Lack of Awareness:** People are not well informed about the objectives of the movement, the contributions it can make in rebuilding the society and the rules and regulations of cooperative institutions. Unfortunately, no special efforts have been made in this direction. People look upon these institutions as means for obtaining facilities and concessions from the govt.

5.5. **Restricted Coverage:** The cooperative movement has also suffered on account of two important limitations on its working. One is that the size of these societies has been very small. Two, the most of the societies have been single purpose societies. For this reason these societies are unable to take a total view of the persons seeking help, nor can they analyze and solve problems from different angles. Under these circumstances it has not been possible for these societies to make much progress.
5.6. **Functional Weakness:** The cooperative movement has suffered from inadequacy of trained personnel right from its inception. Lack of trained personnel has been caused by two major factors. In the first place, there has been a lack of institutions for this purpose of training personnel. Secondly because of the unsatisfactory working of cooperative institutions, efficient personnel did not feel attracted or motivated towards these institutions.

5.7. **Lack of Motivation:** Every co-operative society is formed to render service to its members rather than to earn profit. This does not provide enough motivation to the members to put in their best effort and manage the society efficiently.

6.0 **Suggestions for Sound Agricultural Marketing in India:**

- Suitable structure of support prices for various farm commodities adjusted from time to time.
- Adequate arrangement of agricultural produce on support price if the price falls below the level.
- Regulated infrastructure of markets and warehouses, which ensure fair prices.
- Rural roads must be compliment and coordinate with railways, nearest waterways (port), airports if possible.
- The efficient marketing is predominantly influenced by efficient distribution system it means products such ultimate consumer in the quickest time possible at minimum cost.
- The development of communication systems appropriate to rural market may cost up to six times as much as reaching an urban market through established media, need rural communication facilities.
- The state marketing board or federation or market committees also the producers, traders and sellers have necessarily to be consulted as they have the principle interest towards its use.
- The arrivals of various products such as food grains vegetables dairy products flowers etc. need speedy transport.
- Public weighing machines one in each rural market to ensure correct weightment both for farm and non-farm arrivals. Storage godowns and an office also required.
- For storage facilities the government should not depend on private agencies to store food grains (National commission on Agriculture recommended).
- Rural markets need more number of godowns and ancillary platforms for packaging places, market office cum information cell, bank and post office.
- Rural marketing is the nerve center of a rural economy, rural markets are the channels for the movements of goods and services as well as to promote cultural integration.
- Agricultural technology must reach all over the country, irrespective of size of land holding.
- Land reforms need effectively implemented, because the land is basic asset of rural people.
- Rural communication must be in regional language and dialects.
- The existing marketing staff must be increased and adequate training must be given.
- Extending of financial support for modernization of the agro-processing units is also needed.
- The proper packaging technology must be improved.

7.0 **Conclusions:**

Co-operative marketing is a system designed to transfer, in the most effective way, the production from the producers to the consumers. The existing marketing system in the traditional rural areas is a system, which highly exploits the producers and at the same times the consumers. This marketing system pays to the producers the lowest possible price, and at the same time, sells to consumers at the highest possible price. This system is composed of too many intermediary stages, and each of these stages takes its part from the total payment by the consumers. The traditional areas, farmers who present their merchandises on the side roads, and waiting for clients going on the road with their cars and stopping over to purchase their produces directly. It is observed that a stage of marketing where the producer sells his produce directly to the consumers, without any intermediary. Both parties stand to gain. Considering the emerging issues and challenges, government support is necessary for the development of marketing of agricultural produce. The government may adjust suitable budget allocations to rural infrastructure plans, and proper supervision for effective plan implementation. The core areas like transport, communication, roads, credit institutions, crop insurance for better utilization of land and water at appropriate level. The rural
people and markets will definitely develop rural income and reduce poverty, on the whole countries economy will boost at an expected level.

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