

A MOCKERY OF COOPERATIVE MARKETING

9.1 INTRODUCTION

The need of a multi-dimensional network for marketing of agricultural and rural produces can hardly be over-emphasized. Most modern model builders for agricultural development have, directly or indirectly, stressed the role of the guaranting of marketing of produces as a big agency for inducing the farmers and rural operators to usher in dynamism in the growth of their enterprises.

It has, however, been a world-wide experience that a plurality rather than singularity, a multiplicity rather than uniqueness, of marketing institutions protect better the interest of rural producers to guarantee the smooth setting of their produces as well as to narrow down the gap between the price they receive and the price the user, final or intermediate, pays. For a less developed country where infrastructure of private enterprises is less developed, the public sector marketing corporations, private marketing companies, family enterprises in marketing and co-operative marketing institutions are possible candidates for co-existence. One must add that each of these marketing institutions need correct and appropriate legislation and right form of institutional framework to umpire the lawful working of the legal restraints.

This study concerns the experience and experiments of cooperative societies of the state of West Bengal. In the state of West Bengal, one of the states of the Union of India, the types of marketing institutions, as described in the preceding paragraph,

are, by and large, undeveloped or do not function normally. Therefore, in rural areas, especially in remote rural areas, the importance of a right type of cooperative marketing society is immense especially from the point of view of speeding up the development process. Unfortunately, as we shall see in the following chapter, political pragmatism of law making authorities on cooperative societies make them more interested in catching votes rather than in installing independent sources of growth in the country side.

9.2 THE BARNISH SOCIETY

In West Bengal, the "Barnish Samabaya Krishi Bipanan Samity Ltd" of Mainaguri in the district of Jalpaiguri is a representative specimen of cooperative marketing societies that develop, rise and then decay for want of perennial sources of vitality. This society was set up and registered in 1957 during the second five year plan when "the real planning began" in India. The society reached its peak in the eighties during the sixth five year plan and then gradually declined and its operations remained suspended during 1991-92. This cryptic life story suggests that the rise was occasioned by the receipt of funds from the Government. The fall came about as a result of mismanagement by officers appointed by the Government. Eventually in 1991-92 the Government refused to provide further funds and at least temporarily the society was kept in suspended animation.

In its peak period of activities the society had 718 members. Of these 37 members were from 37 "Samabaya Krishi Unnayan Samities". In other words, each of them had only one representative in this

"Samabaya Krishi Bipanan Samity". Farmers and Farm Workers together made up 680 members and the Government of West Bengal was represented by only one member.

The objects of the Society were, at the time of its foundation, ninefold. Firstly, the Society would make arrangements for the purchase and sale of agricultural produces produced by the members and others. Secondly, the society would advance loan to members on the security of their produce, raw or processed. Thirdly, the society would hire or build warehouses and processing yards to facilitate storage, processing and sale of goods. Fourthly, the Society would process raw materials belonging to members or purchased by it. Fifthly, the Society would make arrangements for packing and grading of the produces produced by its members. Sixthly, the Society would supply to members, through their local society or otherwise, manure, seeds, implements or other inputs required for their farm business and essential domestic consumption. Seventhly, the Society undertakes to encourage thrift, self-help and cooperation among its members. Eighthly, the Society would act as agent of primary credit societies for recovery of production and consumption loans given by them to their members. Finally, the Society would undertake all other activities calculated to further all the above noted objects.

Despite this avowed many-dimension aim, the society could not, in its heyday, perform more than the following functions:

(a) to purchase agricultural goods especially raw jute from members;

(b) to sell inorganic fertilizers such as sufala, urea, S.S.P., M.O.P. and D.A.P. ;

(c) to sell HYV jute, wheat (Sonalika) and paddy (Jaya, IR-8) seeds;

(d) to sell pesticides and insecticides;

(e) to sell under modified rationing scheme Kerosene, sugar, rapeseed, rice, flour and allied commodities;

(f) to sell cloths such as saris, dhotis, and shirt and trouser cloths.

Most of these activities except buying and selling of raw jute stopped before 1989. Buying and selling of jute continued upto 1990-91. This stopped entirely in 1991-92.

In terms of the audited accounts of the Society in 1987 each member had to pay an entrance fee of Re 1/- only. As members each of the primary agricultural credit societies (Samabaya Krishi Unnayan Samities) bought a share of Rs. 144, whereas each of the individual members had to buy a share of Rs. 30/- only. The government bought a share of Rs. 212,260 = 00 P only.

The total funds position in 1987, as disclosed by officials, were as under:

Government Share	: Rs. 212,260=00 P
Members' share	: (a) Cooperative Societies Rs. 5,390 = 00
	(b) Individuals Rs. 21080 = 0
Loans from BENFED	: Rs. 100,00,000 = 00 P
Loans from Central Co-operative Bank of Mainaguri	: Huge but not disclosed.

An officer of the Cooperative Department of the State Government was employed as Executive Officer of this Society. Under him worked a Manager, an Accountant, eight assistants and four peons and guards. Accounts kept in the eighties showed that the society continued to maintain reasonable profits in respect of jute, ration shop as well as consumers' shop. An example of profits shown in the accounts by the management during a part of the eighties is given below.

Table 9.1

Profit from Ration Shop

Year	Profit (Rs)
1982-83	10,500.00
1983-84	21,000.00
1984-85	12,000.00

Table 9.2

Profit from Consumers' Shop

Year	Profit (Rs)
1982-83	21,000.00
1983-84	11,200.00
1984-85	10,000.00

Table 9.3
Profit from Jute

Year	Profit (Rs)
1982-83	72,000.00
1983-84	90,000.00
1984-85	90,000.00

The question generally arises : What is the reason for the temporary closure in 1991-92 despite the reasonable profits the society earned in the early eighties? The majority of directors of the Board of Directors of this society is decided upon by the State Registrar of Cooperative Societies. The initiative of the Directors almost always passes to the management especially the Executive Officer. It is suspected there has been major flows in some aspect of administration with the result the accounts sent by the Society to the BENFED has not been acknowledged by the latter. So cessation of flow of funds from the BENFED is at the root of present suspension of activities. The interest income of the Society earned from deposits in the Central Cooperative Bank is used to pay the salaries of the members of the staff of the Society.

During the late eighties especially during the session 1987-88, as a result of large-scale inflow of smuggled Bangladeshi jute the prices of local jute fell and producers of jute were forced to grow less jute. This was the point made by the then Executive Officer of the Society. But, as it will appear in a later section, the

management bought jute mostly from outside the members and its suppliers were farias and wholesalers. The complaints gathered strength that jute producing members were bypassed in the effort of the Society to purchase from the least-price-sellers.

The Society held its main office in Mainaguri and subsidiary office in Barnish a village ten kilometres away from Mainaguri. The Battala weekly jute market in the village of Husludanga, eight kilometres away in the east of Mainaguri has always provided opportunities of purchasing jute in plenty to this society.

It is a pity that the management did not devise any method to induce members to produce sufficient amount of jute through a system of registration of specific farm area and of pre-determined fair price. Instead, they fell victim to the temptation of doing brisk profits by buying on lowest price. In other words, they flouted all ethical norms of true cooperation.

9.3 A PLAUSIBLE HYPOTHESIS

We are not aware of any private initiative cooperative society now in existence in West Bengal for marketing or for purchase. Sridharpur Cooperative Bank certainly extended its activities also to purchase as well as to marketing. The cooperative societies which cater only to the needs of marketing of members' produces are all government initiative cooperative societies. A point of these cooperative societies is that they also cater to the needs of purchases of members. Such cooperative societies are without

exception, dual purpose cooperative societies.

But strangely these societies are not motivated by the interests of members proper. As in the case of government initiative cooperative credit societies, in the case of these cooperative marketing and purchase societies the government is a big partner. But in the case of the government initiative marketing and purchase cooperative societies, or the "Samabaya Krishi Bipanan Samities", as they are called, the government hold over them and decision-making authority therein are still vaster. It appears that the government is haunted by its two-fold responsibility of purchasing from the farmers within the jurisdiction of the society some commodity or commodities used outside the area of their production as well as recovering production and consumption loans granted through the government initiative cooperative credit societies, which are also officially nicknamed primary agricultural credit societies or PACs.

In order to fulfil these objectives of the government, it opened the membership of these government initiative cooperative marketing (also purchasing) to three categories of members. They are : (a) "Samabaya Krishi Unnayan Samity" or whom we regard as government initiative cooperative credit society; (b) agricultural farmers and workers; and (c) Government.

Even though the number of individual members may far outweigh the number of those representing the PACs and the Government, the Board of Directors is dominated by the PACs representatives and those of the Government. Apart from this, landless farm workers who are also eligible to be members but are unable to buy a share are

often buying shares at full government cost. There is, it is true, no provision in the Act whereby the government may spend money to enable landless farm workers to buy the minimum share. But we have plenty of examples where interested groups of persons or parties spent money to enable a large number of people to become members with the sole purpose of capturing seats in the Board or Council. So complaints have surfaced to our view that the Government has enabled landless farm workers to own shares by providing the cost to them.

This type of members give the Government three fold advantages in controlling the "Samabaya Krishi Bipanan Samities" through the representatives of individual members on the Board. In the first place, it is open for the Government to install a majority of this type of members among the representatives of individual members on the Board. At the same time when the Government goes to wield so much of power, honest members of the cooperative may feel hesitant to fight government nominees for a seat on the Board. Because they might fear that more government members may come in to reduce them into a minority. In the second place, section 26 of the 1983 Act of West Bengal Co-operative societies provides for the holding of a special general meeting on the requisition of just one-third of the members of the Cooperative Society. So if one third of the members of a cooperative "Bipanan" society are such members whose shares are bought on government funds, the necessary requisition for a special general meeting is never difficult to achieve. In the third place, even when no financial agency requires or the state government has given no financial assistance directly to the

cooperative society, the government looks for a resolution of the Board or the general body of its members for the purpose of deputing a government officer to manage the affairs of a cooperative society. Section 28 of the 1983 Act of West Bengal Cooperative Societies is the legal provision of the case in point. In the case of a government initiative marketing society the inclusion of a rather large number of government funded individual members renders the task of having a resolution of the Board or the general body of its members seem easy.

The upshot of all these arguments is that the so-called "Samabaya Krishi Bipanan Samity" is anything but a true Cooperative Society. The test of a true cooperative society is whether or not the society is a society of the members, for the members and by the members. In the following sections we look for data support for this hypothesis built in this section on the basis of legal provisions.

9.4 A TESTING OF THE HYPOTHESIS

That a cooperative society should be a society of members, for the members and by the members does not mean that members cannot appoint professional managers. In fact, the entire management may be left to professionals. But the Board of Directors and General Meeting of the members are the bodies to which the professional authorities are accountable. Members not only design, and seek to implement, policies for the advantages of members but also check every detail of accounts submitted by managers.

But the point we seek to make about this society, in the preceding section, is that this Society has been nothing but an instrument of government business and government duties. The interest of the members has never been uppermost to the operators of this society. According to the official purchaser of this cooperative, about 95 per cent of the jute purchases of this society are purchased from non-members. So only 5% of the purchases are coming to this society from its members. Of this 95 per cent part of the purchases of the society, 65 per cent come from farias and 30 per cent come from non-member growers.

During 1991-92 the society sold most of its purchases to Calcutta mills. But a good part went to Bihar and south India. The society did nothing to set up decentralised local industries to enhance local supply of jute goods and expand general income and employment. The Society bought and sold 6.7 metric tonnes of jute during 1990-91. The Society never purchased at a fixed price. It waited for the price to fall down. Naturally the Society has not been interested to maintain fair price to its members. Obviously, the data collected pointed to the clear-cut misuse of the name of cooperation by the Government in what can be termed its own business.

Again, the returns obtained from fifty member growers reveal that member growers had to sell about 86 per cent of raw jute they produced to the farias or the middlemen. They sold 7½ per cent straight to the stockists and an equal percentage of their jute output to this cooperative society. In the preceding paragraph we have found that the Society bought about 95 per cent from non-member growers. Here we find that the member growers are unable to

sell to the Society at least 93 per cent of their output. Various reasons account for this situation. In the first place, the society does not like to purchase in small quantities. In the second place the skill and expertise of the official purchaser of the society compare very unfavourably with those of a *faria*. A *faria* is a skilled person and can quickly recognise and grade jute. He is also prompt in making the exact payment with notes and coins. On the contrary, the purchasers of government cooperative marketing societies have all the lethargy of a public sector official and lacks serious eagerness to develop his expertise. In the third place, often he does not keep small notes and coins. This makes exact payment being made to poor farmers difficult. These farmers are naturally deterred from coming again to him. Finally, the purchaser of a government cooperative marketing society is not even willing to pay the price the *farias* will gladly pay. The evidence again points to the misuse of name of cooperation by the government marketing cooperative societies.

The cultivable lands in the villages served by this cooperative marketing society are monotonous plain lands. Unlike in some other areas of West Bengal, cultivable lands here are not divided into higher and lower lands creating some natural advantages for jute in the higher lands. Again, jute is raised in pre-Kharif season. One rival crop of jute in this season here is traditional pre-kharif paddy. Except during the concluding stages of the season this traditional paddy is at least partially drought resistant. But a advantage is that this paddy crop soon becomes infested with rice--hoppers. When these rice--hoppers are plentiful the crop is lost, unless

appropriate insecticides are used. Farmers have, in many cases, therefore, have a natural inclination to raise jute rather than paddy in this season. This is especially because by raising jute they avoid the trouble of bringing and spraying right sort of insecticides.

Despite this natural preference for jute the farmers could not use more than 35 per cent of their pre-kharif cultivable area for jute. This amply demonstrates that this government cooperative marketing society could not boost the production of raw jute to any remarkable extent. Compared to this reaction of member growers, computation of returns made from an equal number of respondents, namely fifty, the non-member growers used at least 37 per cent of their pre-kharif cultivable area to raise jute. Again the non-member growers sold 81 per cent of their jute output to farias, 11 per cent to stockists and 8 per cent to this cooperative society. Decidedly, the member farmers got no relative advantage from what was supposed to be their own cooperative society.

We had obtained returns from a sample of 25 farias or middlemen. It transpired that they sold 69 per cent of their purchases to the stockists in the market and 31 per cent to the cooperative marketing society. We have seen in a preceding paragraph that individual members sold only $7\frac{1}{2}$ per cent of their raw jute crop to this cooperative marketing society. Thus it is clear that the society is disposed to buy more from the farias rather than from its own members. This raises the suspicion that the Society banks on skill and expertise of the farias they use to fill their store of raw jute. In other words, the society may not have enough skilled persons

to grade the raw jute. So they depend on, and value, the skill of the farias and are disposed to buy more from them. This predicament arises from two sources. Firstly members, it appears, do not enjoy any great right to dispose of their produce to the cooperative society and receive price in proportion to the quality of produce. The data, therefore, tend to support the hypothesis that this cooperative marketing society is not a cooperative of members, for the members and by the members.

Secondly, the farias make the bulk of their purchases from farms of size 2-5 acres. Perhaps still bigger farms sell part of their output to stockists in the market. The farias buy from the month of June to February. Obviously, some of the farmers are in a position to put off their sales to January or February. During 1991-92, these farias testify, there has been decisive rise in the production of raw jute. But we have already seen that this rise in raw jute production was brought out more by farmers who are not members of the society rather than by farmers who are members of the society. The credit for the expansion of this raw jute output goes in a substantial way to the farias. On average they travel to various weekly markets covering more than five mauzas (sets of villages). On the other hand, the cooperative society rarely goes to weekly markets or outside their own location. Thus apart from supporting the hypothesis formulated in the preceding section, namely that it is not members' cooperative society, the society has not at any time emerged as big agency of marketing of raw jute.

9.5 CONCLUSION

The discussion in this chapter on the sole variety of existing cooperative marketing society releases certain fundamental questions of first importance to the successful running of true cooperative marketing societies. We have seen that domination of agricultural cooperative credit societies with limited liability have not only stifled individual and collective initiative in the society but in effect prevented the growth of savings in the rural sector for productive use in the same sector. Moreover, the working capital of this type of cooperative societies needs replenishments not merely for coping with new demand for loanable funds but also to compensate for loss caused by non-repayments and often by remission as a matter of official policy, of such non-repaid debts. We have also explained the details of the process saving losing as a result of not resorting to free cooperative credit societies.

The problem of a large residual non-repaid working capital has induced the government to set up a built in device as a way out of this problem in the present type of government cooperative marketing society. A West Bengal marketing cooperative society has thus a big aim to recover the loans not repaid by the members of primary agricultural credit societies. This thus compels the government to make these primary agricultural credit societies important members of the present type of cooperative marketing societies. So they dominate in the Board of Directors and with their help an executive officer is appointed by the government. So it becomes a full government show.

The members of primary agricultural credit societies who did not repay loans have indeed little to lose if they are not members. We have already seen that farias in the locality are better marketers than the Barnish Society. So in respect of marketing of their raw jute the defaulters have lost nothing by not being members of this marketing cooperative society.

We have amply demonstrated that the members of this cooperative marketing society have gained little by being members of this marketing society. At best, the presence of an additional marketing institution has enlarged the choice of marketing agents to the jute growers. Yet this institution did nothing to promote the growth of jute or to ensure fair price to the growers. It has also not succeeded to induce the members to form new producer society to produce jute goods with mini plants.

The trouble at the root is that government has usurped, through legislation as well as through implementation, what should have been the prerogative of the farmers. The government's responsibility is to aid, advise in respect of procuring technology and systems of motivation.

The government may help through advice or through legislation that cooperative societies may allot a percentage or whole of the cultivable areas of a farmer as the registered areas for not only for jute but also for all agricultural crops. The cooperative marketing society may then purchase all produces from such registered areas pre-fixed fair prices and sell through pre-fixed marketing channels.

The government may, similarly, keep open to the members of the marketing society a market of technology for processing and manufacturing locally on the basis of agricultural produces. Like a market of technology, a market of management experts at reasonable prices may also be brought to the view of free cooperative societies.