REASONS FOR SLOW PROGRESS OF COOPERATIVE MARKETING SOCIETIES IN TAMILNADU

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ABSTRACT
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. This article highlights the reasons for slow progress of cooperative marketing societies in Tamilnadu.

KEY WORDS
Cooperative Marketing Societies, Tamil Nadu Cooperative Marketing Federation (TANFED), Marketing Organizations, Models of Marketing Cooperatives, Primary Agricultural Producers Cooperative Marketing Societies (PACMS), Structure of Cooperative Marketing

INTRODUCTION
The Cooperative Marketing Societies have been established with the objectives of facilitating the marketing of agricultural produce of its members at a remunerative price, distribution of farm inputs to them, provision of produce pledge loan and taking up processing and value addition to the agricultural produce, wherever it is possible. The structure of Cooperative Marketing in Tamil Nadu is a two-tier structure with the Tamil Nadu Cooperative Marketing Federation (TANFED) at the apex level and 110 Primary Agricultural Producers Cooperative Marketing Societies (PACMS) at district / taluk levels. Besides these, there are three special types of marketing societies viz., The Nilgiris Cooperative Marketing Society, Thanjavur Cooperative Marketing Federation and Tudiyalur Cooperative Agriculture Service Society.
CO-OPERATIVE MARKETING SOCIETY

Co-operative marketing organizations are associations of producers for the collective marketing of their produce and for securing for the members the advantages that result from large-scale business which an individual cultivator cannot secure because of his small marketable surplus. A marketing cooperative is set up in order to market and sell the surplus produce of its members, being such a surplus, as they cannot consume themselves. Marketing cooperatives generally sell agricultural produce, but there are also those, which sell fish produce or handicrafts. There are also other definitions of cooperative marketing. Margaret Digby defines a marketing cooperative as a system in which a group of farmers join together in order to carry out part or all of the processes involved in bringing the produce from the producer to the consumer. The Bank of India defines a marketing cooperative as a society of farmers, organized for the purpose of helping the members to market their produce, so as to obtain higher profits than is possible by way of private marketing.

FUNCTIONS OF CO-OPERATIVE MARKETING

The main functions of co-operative marketing societies are:

- To market the product of the members of the society at fair prices;
- To safeguard the members for excessive marketing costs and malpractices;
- To make credit facilities available to the members against the security of the produce brought for sale;
- To make arrangements for the scientific storage of the members' produce;
- To provide the facilities of grading and market information which may help them to get a good price for their produce;
- To introduce the system of pooling so as to acquire a better bargaining power than the individual members having a small quantity of produce for marketing purposes;
- To act as an agent of the government for the procurement of foodgrains and for the implementation of the price support policy;
- To arrange for the export of the produce of the members so that they may get better returns;
- To make arrangements for the transport of the produce of the members from the villages to the market on collective basis and bring about a reduction in the cost of transportation; and
- To arrange for the supply of the inputs required by the farmers, such as improved seeds, fertilizers, insecticides and pesticides.
MODELS OF MARKETING COOPERATIVES

Marketing is the process that an agricultural product goes through on its way from the producer to the consumer. Traditional marketing involves several intermediary stages within this process. The result is, of course, that the consumer pays an exorbitant price and the producer receives a very low price for his production. Naturally, it is in the interests of both producer and consumer that the number of steps in the marketing process be reduced as much as possible. The result: the producer will earn more and the consumer will pay less.

The first form of marketing is the traditional marketing circle. The peasant sells his production at a local market which is held in his village every 5 or 6 days - this is the first stage. The intermediary who buys this production transports it. Usually on overloaded small open trucks covered with a tarpaulin, to a regional market. Another intermediary will buy these goods and transport them to an urban market. The production will then be sold and distributed at the neighborhood markets where the retailers will come to get their supplies for sale to the consumers. This way agricultural produce has undergone too many stages from producer to consumer. All intermediaries have benefited - From this process, but not the producer nor the consumer.

The solution to this state of affairs: a marketing cooperative owned by the producers. This cooperative's aims are to reduce to a minimum the number of marketing stages between producer and consumer. In Israel, the Tnuva cooperative is a marketing cooperative belonging to all moshavim and kibbutzim, and today has the fourth largest turnover among Israeli enterprises. Tnuva has organized a national network, which takes upon itself the collection, transportation, storage, processing and sale of approximately 75% of agricultural output earmarked for the local market in Israel. The setting up of Tnuva has reduced the number of steps in the marketing circle, but not enough. Agricultural produce leaves the farm, passes through "Tnuva" and is then sold in the local market and in various small shops.

Another alternative reduces the number of steps even more. This alternative involves direct contact between the marketing cooperative owned by the farmers and the consumer cooperative owned by the consumers. Thus, the sale of agricultural products takes place from one cooperative to another, and in principle, the profitability for the producer increases while the purchase price for the consumer decreases. This situation, though far removed from the traditional marketing circle, does not go far enough. It is still necessary to try to eliminate superfluous steps in the marketing circle. Two solutions have been found:

The first consists of consumer sale centers, belonging to the marketing cooperative, an example of which is Tnuva in Israel. These sale centers link producers directly to consumers. The second solution consists in supply centers for agricultural produce, which are owned by the consumer cooperatives, the latter belonging to the consumers. In this example the consumers have organized themselves in order to acquire
their consumer goods directly from the producers. The last marketing method, which we shall discuss, concerns the organizations which belong to the farmers and the government and which deal with the export of agricultural products.

The last stage in our model is the stage at which selling takes place directly from the producer to the consumer. This is the preferable stage because it produces the best results of all, both as far as the producer is concerned, as well as for the consumer. An example of this is direct selling outlets, which have been set up by moshavim and kibbutzim at roadsides all over the country, which sell their produce directly to the public. This solution is beset with problems and is not always possible of implementation - but this is the solution we strive for.

TYPES OF CO-OPERATIVE MARKETING

On the basis of the commodities dealt in by them, the co-operative marketing societies may be grouped into the following types:

(i) **Single Commodity Co-operative Marketing Societies**

They deal in the marketing of only one agricultural commodity. They get sufficient business from the farmers producing that single commodity. The examples are Sugarcane Co-operative Marketing Society, Cotton Co-operative Marketing Society and Oilseed Growers Co-operative Marketing Society.

(ii) **Multi-Commodity Co-operative Marketing Societies**

They deal in the marketing of a large number of commodities produced by the members, such as foodgrains, oilseeds and cotton. Most of the co-operative marketing societies in India are of this type.

(iii) **Multi-purpose, Multi-commodity Co-operative Marketing Societies**

These societies market a large number of commodities and perform such other functions as providing credit to members, arranging for the supply of the inputs required by them, and meeting their requirements of essential domestic consumption goods.

STRUCTURE OF CO-OPERATIVE MARKETING

The co-operative marketing societies have both two-tier and three-tier structure. In the states of Assam, Bihar, Kerala, Madhya Pradesh, Karnataka, Orissa, Rajasthan and West Bengal, there is a two-tier pattern with primary marketing societies at the taluk level and state marketing federation as an apex body at the state level. In other states, there is three-tier system with district marketing society in the middle. At the national level, NAFED serves as the apex institution. The pattern of the three-tier structure is as follows:

(i) **Base Level**

At the base level, there are primary co-operative marketing societies. These societies market the product of the farmer members in that area. They may be single commodity or multi commodity societies, depending upon the production of the crops in the area. They are located in the primary wholesale market, and their field of operations extends to the area from which the produce comes for sale, which may cover one or two tehsils, panchayat samitis or development blocks.

(ii) **Regional/District Level**

At the regional or district level, there are central co-operative marketing unions or federations. Their main job is to market the produce brought for sale by the primary co-operative marketing societies of the area. These are located in the secondary wholesale markets and generally offer a better price for the produce. The primary co-operative marketing societies are members of these unions in addition to the individual farmer members. In the two-tier structure, the State societies perform the functions of district level societies by opening branches throughout the district.
(iii) State Level

At the state level, there are apex (State) co-operative marketing societies or federations. These state level institutions serve the state as a whole. Their members are both the primary co-operative marketing societies and the central co-operative unions of the state. The basic function of these is to coordinate the activities of the affiliated societies and conduct such activities as inter-state trade, export-import, procurement, distribution of inputs and essential consumer goods, dissemination of market information and rendering expert advice on the marketing of agricultural produce, marketing societies and the central co-operative unions of the state. The basic function of these is to coordinate the activities of the affiliated

MEMBERSHIP OF CO-OPERATIVE MARKETING SOCIETIES

There are two types of members of co-operative marketing societies:

(i) Ordinary Members

Individual farmers, co-operative farming societies and service societies of the area may become the ordinary members of the co-operative marketing society. They have the right to participate in the deliberations of the society, share in the profits and participate in the decision making process.

(ii) National Members

Traders with whom the society establishes business dealings are enrolled as nominal members. Nominal members do not have the right to participate in decision making and share in the profits of the societies.

Sources of Finance

In 1966, the Dantwala Committee estimated a capital base of Rs.2.00 lakhs for a co-operative marketing society. At 2003 prices, it should be at least Rs.40.00 lakhs. The following are the major sources of finance of a co-operative marketing society:

(i) Share Capital

Farmer-members and the State Government subscribe to the share capital of co-operative marketing societies. Members may purchase as many shares as they like. They are encouraged to invest sufficiently in the share capital. They are also persuaded to invest their dividend and bonus in the shares of co-operative marketing societies.

(ii) Loans

Co-operative marketing societies may raise their finance by way of loans from the Central and State Co-operative Banks and from commercial banks by pledging and hypothecation and also by clean credit to the extent of 50 per cent of owned capital.

(iii) Subsidy

The Co-operative marketing societies get a subsidy from the government for the purchase of grading machines and transport vehicles to meet their initial heavy expenditure. They also get a subsidy for a part of the cost of the managerial staff for a period of 3 years to make them viable.

TAMIL NADU COOPERATIVE MARKETING FEDERATION (TANFED)

It was established in 1959. It is currently engaged in procurement and sale of fertilizers and other inputs through Cooperative Marketing Societies and Primary Agricultural Credit Cooperative Societies. The federation operates a fertilizer-mixing unit at Pamani near Mannargudi in Tiruvarur district and sells the products under the brand name 'Pamani'. It also operates 38 godowns with a total capacity of 28,640 metric tonnes. Two cold storages with total capacity of 3850 metric tonnes in Chennai are operated. Tamil Nadu Cooperative Marketing Federation also undertakes price support operations on behalf of National
Agricultural Cooperative Marketing Federation for agricultural produce like Copra and Chillies as and when ordered by Government.

In the year 2008 - 09, Tamil Nadu Cooperative Marketing Federation has sold chemical fertilizer worth of Rs. 606.64 crores, registering an increase of 155% over the previous year. It is worthwhile to mention that 2008 - 09 was marked by acute shortage of DAP throughout the country. However, Tamil Nadu Cooperative Marketing Federation, with great effort, has ensured supply of DAP to all the needy farmers throughout the state, through the network of Cooperative Marketing Societies and Primary Agricultural Cooperative Credit Societies. Given the unpleasant experience in States like Maharashtra, Karnataka and Andhra Pradesh, the efforts of Tamil Nadu Cooperative Marketing Federation are commendable. In 2009 -10 Tamil Nadu Cooperative Marketing Federation intends to maintain its position in fertilizer distribution and to expand substantially into seed and bio-fertilizer distribution. During 2009-10, Tamil Nadu Cooperative Marketing Federation has modernized its two cold storages at Koyambedu and Basin Bridge, Chennai, with the latest technology available to make them viably profitable units at the cost of Rs. 2 crores.

1. The Nilgiris Cooperative Marketing Society

Nilgris Cooperative Marketing Society is engaged in marketing of agricultural and horticulture produce coming from Nilgiris district through its auction yards. In addition to the sales of fertilizers, it produces and sells fertilizer mixtures and also provides credit to its members. Its potato auction yard in Mettupalayam handles about 60% of total potato output of the district. In 2008-09, the society has restarted vegetable auction yard in Ooty and has marketed vegetables worth Rs.1.18 crores. It also test marketed high quality potato seeds during 2008 - 09 and received good feedback from the farmers. In 2008 - 09, the business turnover of Nilgris Cooperative Marketing Society rose to Rs. 46.55 crores recording an increase of Rs. 5.66 crores over the previous year. In 2009-10, it intends to modernize its potato auction yard by providing grading machine at a cost of Rs. 22.30 lakhs and to expand the turnover in vegetable auction yards substantially.

2. Thanjavur Cooperative Marketing Federation (TCMF)

Thanjavur Cooperative Marketing Federation operates in the districts of Thanjavur, Tiruvurur and Nagapattinam and has 12 Primary Marketing Societies affiliated to it. Thanjavur Cooperative Marketing Federation distributes primarily fertilizers and undertakes seed distribution on a smaller scale. Because of the stupendous increase in fertilizer sales, the turnover on 2008 - 09 had more than doubled, that was, Rs. 96.69 crores as against Rs. 45.85 crores in 2007-08.

3. Tudiyalur Cooperative Agricultural Service Society

This society is engaged in the production and distribution of seeds, distribution of fertilizers, pesticides and agricultural implements to the farmers. It also provides credit to its members on demand. The annual turnover for 2008 - 09 stands at Rs. 150.70 crores with the profit of Rs. 3.12 crores.
COOPERATIVE MARKETING SOCIETIES

There are 110 marketing societies situated all over the state with primary objectives of marketing agricultural produce and selling fertilizers and other inputs. Apart from this, most of them run Public Distribution System outlets.

(i) Marketing of Agricultural Produce

The Cooperative Marketing Societies perform the following two types of functions.

a) Providing agency service by making available the facilities like auction yards, drying facilities etc. and facilitate the traders and farmer members to transact their business, with a reasonable service charge for this purpose.

b) Engaging in purchase, process and sale of agricultural produce. The processed products are also sold through consumer cooperative stores.

(ii) Linking of Credit with Marketing

Cooperative Marketing Societies enrol the borrowers of Primary Agricultural Cooperative Credit Societies as members and assist in the sales of the produce brought to the cooperative marketing society by the borrower member of the Primary Agricultural Cooperative Credit Societies. These efforts help the Primary Agricultural Cooperative Credit Societies to recover loans besides assisting the farmers in selling their produce at remunerative price. In the year 2008 - 09, Rs. 85.06 lakhs was recovered in this process.

(iii) Linking of Consumer Cooperative Stores with Marketing

Cooperative Marketing Societies have tie-up with the Cooperative Wholesale Stores. This enables the Cooperative Marketing Societies to procure the farmers' produce, process it and sell it to the Cooperative Wholesale Stores so that the wholesale stores get quality products at reasonable price and the farmers get a good price. During 2008 - 09, the Cooperative Marketing Societies marketed produce worth Rs. 34.09 crores to the Cooperative Wholesale Stores.

(iv) Issue of Produce Pledge Loan

During the peak harvesting season, farmers invariably resort to distress sales to meet their urgent need for cash. To protect the interest of such farmers, Cooperative Marketing Societies and Primary Agricultural Credit Cooperative Societies provide Produce Pledge Loans and farmers are able to store their produce and dispose later to get better prices. During 2008-09, a sum of Rs. 46.35 crores has been disbursed to the farmer members as Produce Pledge Loan, by Cooperative Marketing Societies registering an increase of 50% over the previous year. Given the popularity of this operation, steps have been taken to expand it in 2009-10 substantially.

(v) Processing and Value Addition to Agricultural Produce

Some of the cooperative marketing societies are having processing units to process and add value to the agricultural produce transacted by them. They also provide processing facilities to the farmers at affordable rates. In 2008 - 09, cooperative processing units have processed agricultural produce to the tune of 55,180 metric tonnes. In 2009-10, it was proposed to construct godowns with 1000 MT capacity each at Tenkasi-Shenkottai and Gobichettipalayam cooperative marketing societies at a total cost of Rs. 40 lakhs. It has been expected to improve the storage capacity and provide value added service to farmers.

(vi) Procurement of Copra under Price Support Scheme

To protect the interest of the coconut farmers, Cooperative Marketing Societies are implementing Price Support Scheme for copra at the minimum support price fixed by Government of India on behalf of National Agricultural Marketing Federation. Since the open market price on copra was higher than the support price during the year 2008 - 09, there was no procurement under price support scheme. However, the support price for copra for 2009 -10 has been increased from Rs. 36.00 per Kg to Rs. 44.50 per Kg. Government has also ordered, procurement of milling copra at the rate of Rs. 47.00 per kg.
(vii) Procurement of Paddy

In order to boost procurement of paddy and to help farmers in non-delta areas to get fair prices, Government has permitted Cooperative Marketing Societies and Primary Agricultural Cooperative Credit Societies to procure paddy on behalf of Tamil Nadu Civil Supplies Corporation in Khariff 2008 - 09. As a result, some of the Cooperative Marketing Societies situated in the districts of Villupuram, Thiruvannamalai, Vellore, Kancheepuram, Madurai, Ramanathapuram and Sivagangai have entered in the business of paddy procurement and have procured a total of 38,025 tonnes of paddy during 2008-09.

(viii) Sale of Quality Seeds

Seed is a very critical requirement and Seed Replacement Ratio in the state is quite low except in Paddy. Cooperative Marketing Societies were motivated to procure and supply quality seeds in pulses, oil seeds, millets and vegetables apart from paddy. In 2008 - 09, a good beginning was made and seeds to the tune of Rs.7.30 crores were procured and distributed to farmers, registering an increase of 26%. In areas like Dindigul, initiatives taken to distribute sunflower and maize seeds at a reasonable price evoked considerable appreciation from farmers. In 2009-10, it has been expected to enhance further and a target of Rs. 15 crores was set for the sale of quality seeds.

(ix) Setting up of Information Kiosks

Agriculture has become increasingly market oriented. The farmers have to anticipate what the market demands and then produce instead of producing and then coming to the market for sale. It has increased the need for latest information in various markets. Therefore, Agriculture Producers’ Cooperative Marketing Societies have started setting up market information centres within their premises/yards. Four such centres have already been established in Thiruchengodu, Mallasamuthiram, Konganapuram and Salem. This process is hoped to be carried on and all Cooperative Marketing Societies have to set up facilities to disseminate market information.

(x) Computerisation of Cooperative Marketing Societies

Marketing facilities and processes of Cooperative Marketing Societies have been taken effort to make more efficient. Therefore, it was proposed to computerize all Cooperative Marketing Societies in the year 2009 - 10 including introduction of e-auction of agricultural commodities.

REASONS FOR SLOW PROGRESS OF COOPERATIVE MARKETING

The main reasons of the slow process are:

- Co-operative marketing societies are generally located in big markets/towns and quick and cheap transport facilities are not available for the carriage of the produce from the villages to the societies;
- Farmers are indebted to local traders and enter into advance contracts with them for the sale of the crop;
- Farmers are in immediate need of cash after the harvest to meet their personal obligations. They, therefore, sell
- Their produce to local traders; they cannot wait for the time required to move the produce to the mandi;
- There is lack of loyalty among members to co-operative marketing societies because of their poor education and absence of the co-operative feeling;
- In some cases rivalries among farmer-members result in indecision, which hampers the progress of the societies;
- Members lack confidence in co-operative organizations, for most of the co-operative sector enterprises run at a loss;
- The societies do not act as banks for the farmers;
- Managers of societies do not offer business advice to members;
Societies do not provide facilities of food and shelter to farmers when they visit the market for the sale of the produce;

The managers of the societies are often linked with local traders and become impersonal to the needs of a majority of small and marginal farmers;

There is lack of sufficient funds with the societies to meet the credit needs of the farmers against pledging of the produce brought for sale. Nor do they make an advance payment of the value of the produce purchased or sold through them;

Co-operative marketing societies are not capable of carrying on their business in competition with traders and commission agents, because of the absence of adequate business expertise among their employees; and

There is a lack of sufficient storage facilities with the societies. They, therefore, try to dispose of the produce soon after their arrival; a fact which results in lower prices for the farmers.

SUGGESTIONS

The following important suggestions are as follows:

- Co-operative marketing societies should develop sufficient storage facilities in the mandi as well as in the villages.
- The societies should give adequate representation to the small and marginal farmers in their organizational set-up.
- The co-operative feeling among members should be inculcated by proper education by organizing seminars and by the distribution of literature.
- There is a need for bringing about a proper co-ordination between credit and marketing co-operative societies to facilitate the recovery of loans advanced by credit societies, and make available sufficient finance for marketing societies.
- The societies should-acquire the transport facility to bring the produce of the members from the villages to the mandi in time and at a lower cost.
- Co-operative marketing societies should diversify their activities. They should sell the produce and inputs, and engage in the construction of storage facilities.
- Marketing societies, like the private traders, should provide accommodation and the drinking water facility for their members when the latter come to the mandi.
- The public procurement and public distribution programmes should be implemented through co-operative marketing societies to increase their business; and
- The cooperatives should be made free from government control.

CONCLUSION

This present article concluded that, the central problem to which we have been confronted was the quest to know how to establish marketing cooperative in a traditional village, existing in the traditional rural areas of any developing country. We should remember that marketing is a system designed to transfer, in the most effective way, the production from the producers to the consumers. We know that the existing marketing system in the traditional rural areas is a system, which highly exploits the producers and at the same time 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.
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